

A Better Balance

Increased M&A activity has satiated some investor demand

Taron Wade
Director
Leveraged Commentary & Data (LCD)

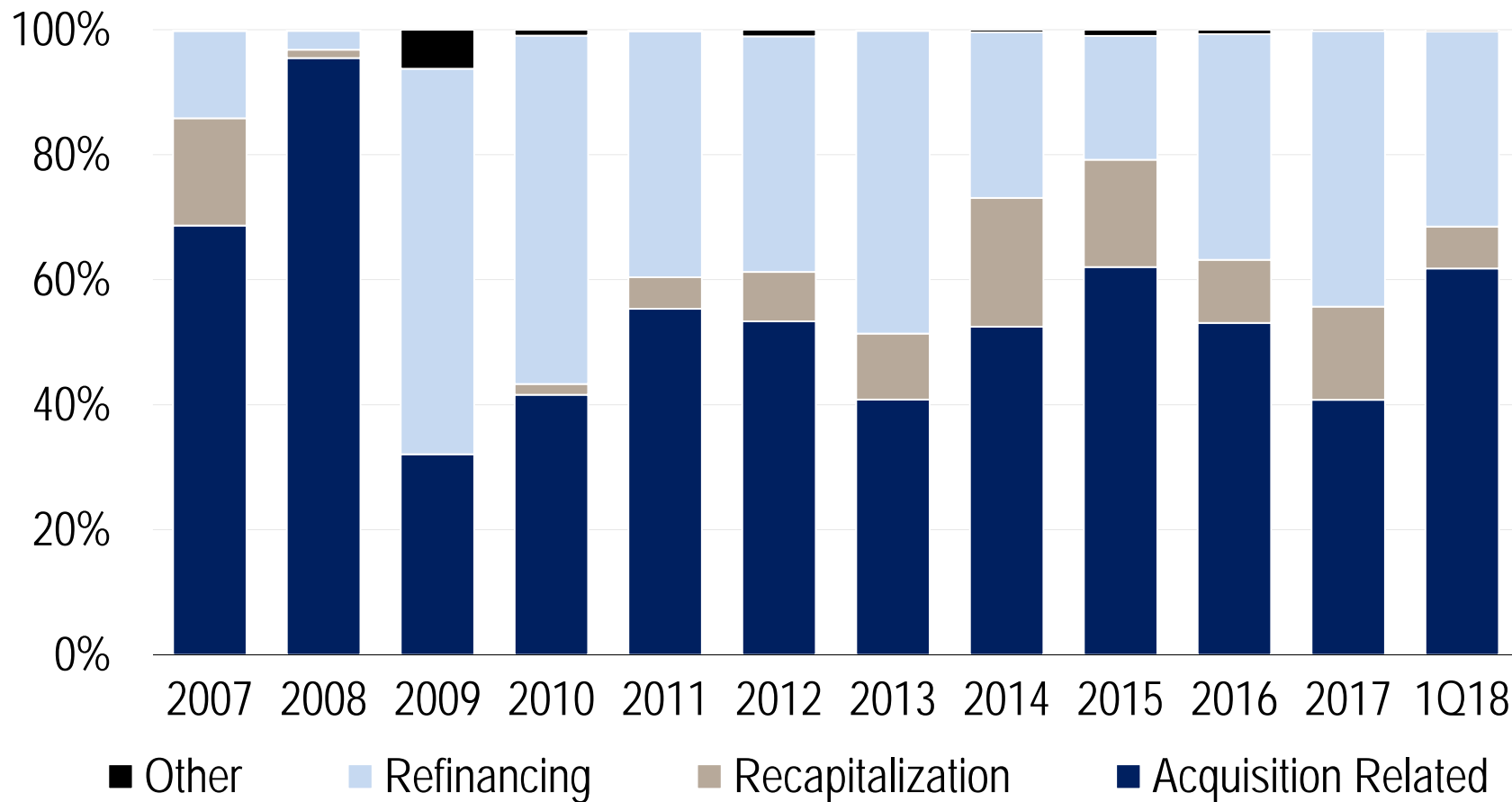
May 2, 2018

S&P Global

Market Intelligence

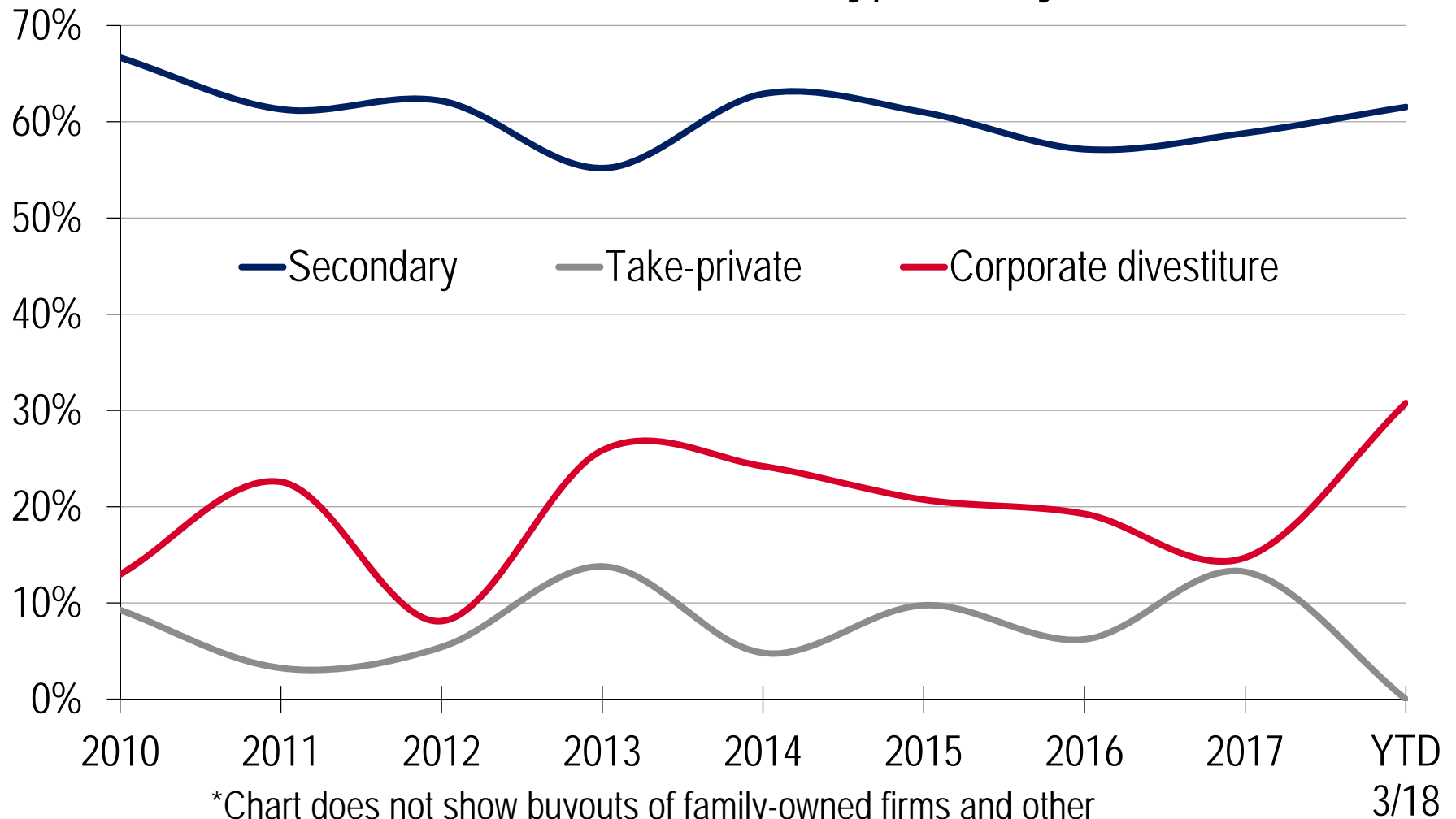
M&A driving the global leveraged finance market

European deal purpose diversification (based on volume)



Corporate spin offs add to M&A pipeline

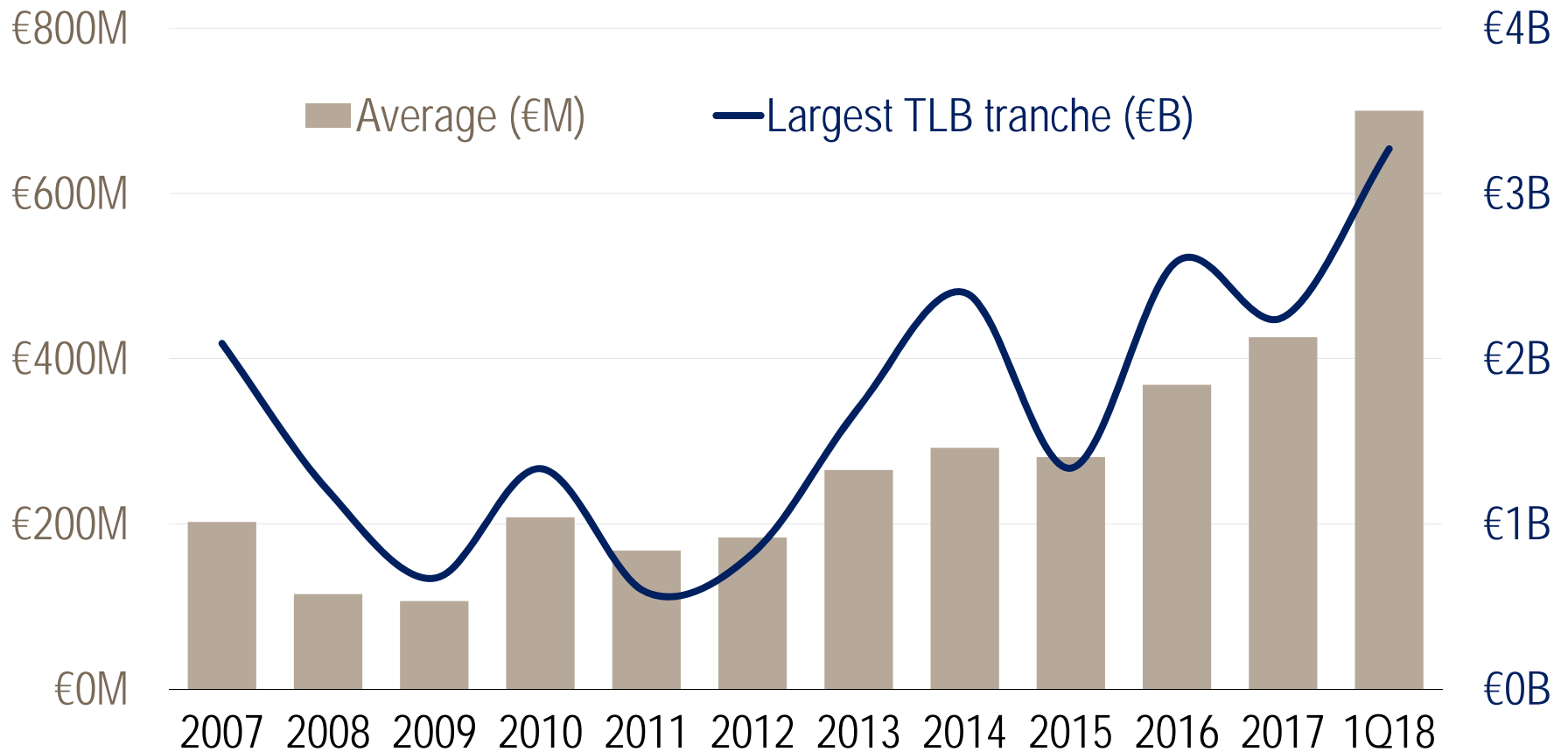
Trends in diversification of type of buyout (count)*



*Chart does not show buyouts of family-owned firms and other miscellaneous types of buyouts

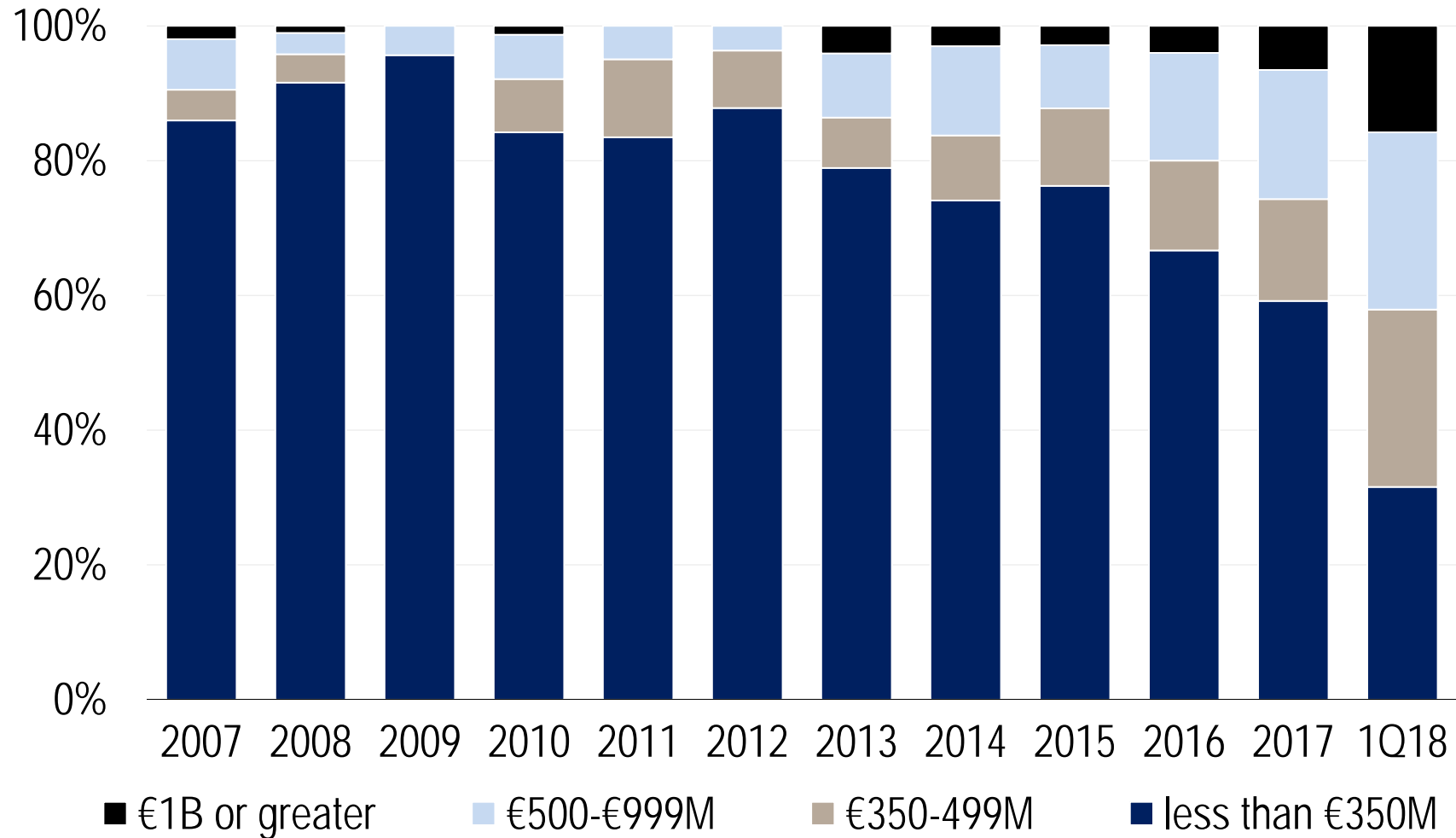
Big deals are back

Average and maximum size of euro-denominated institutional tranche

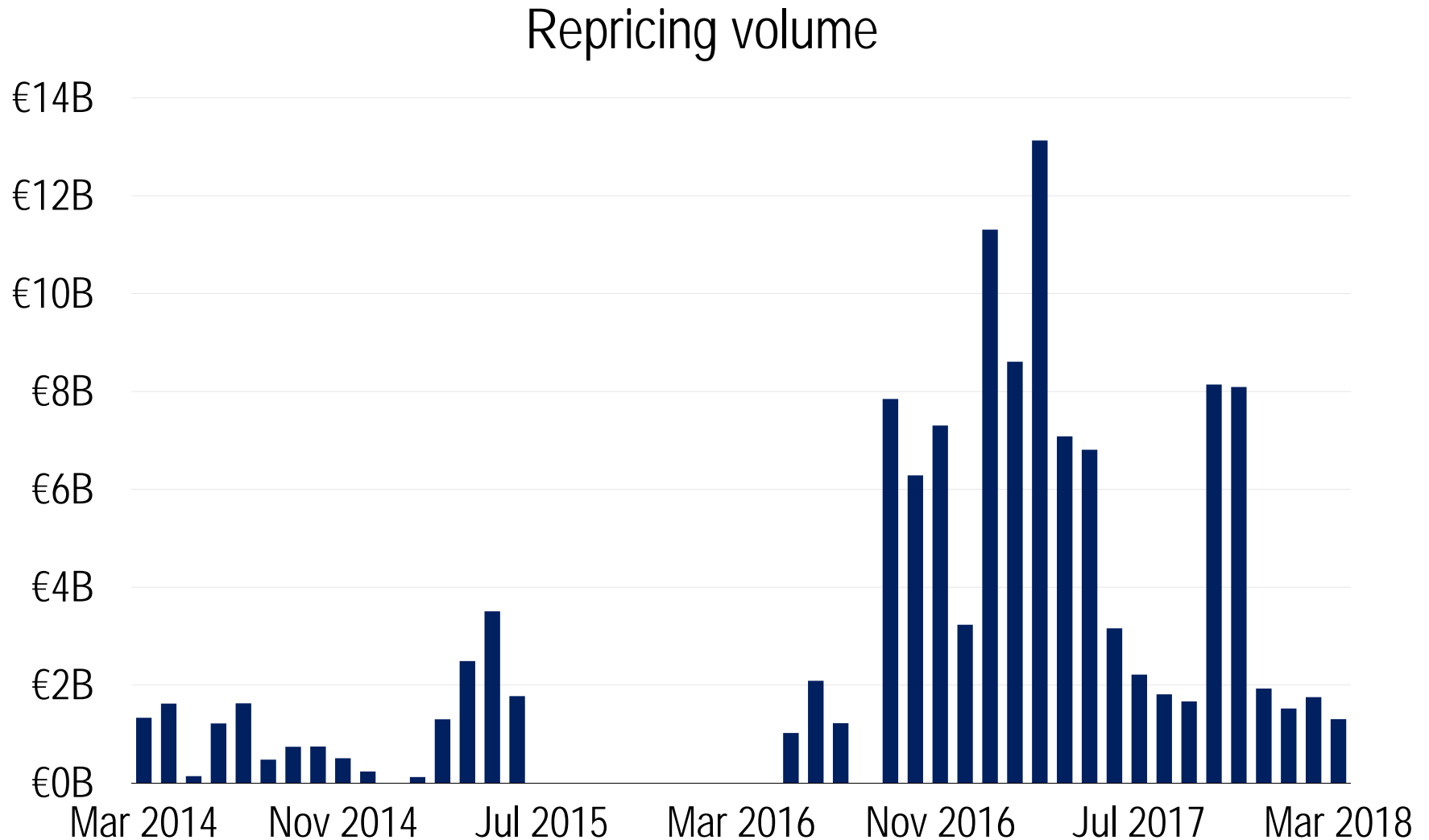


Direct lending plays a part

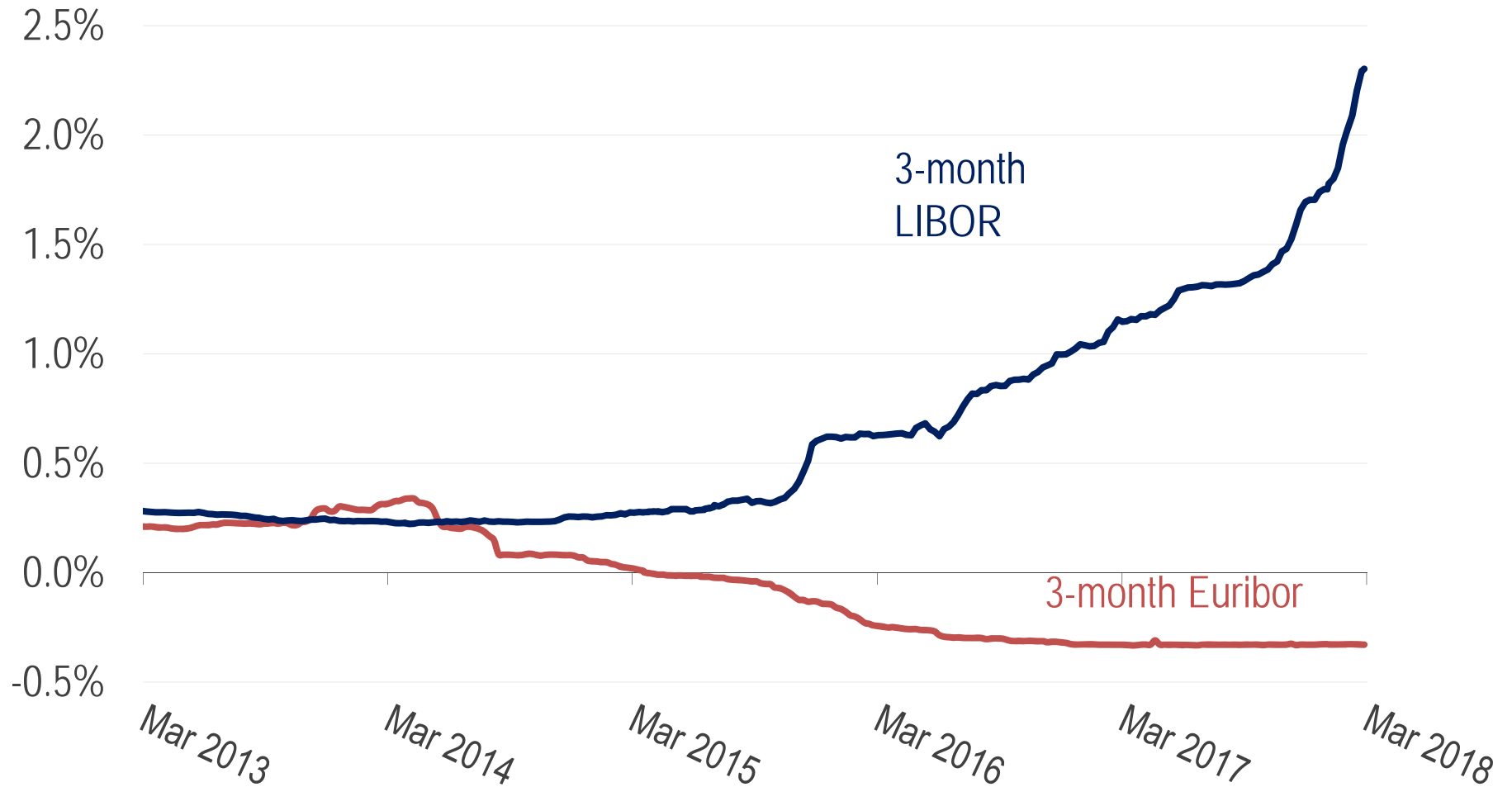
European institutional tranche size distribution



Repricings take a back seat

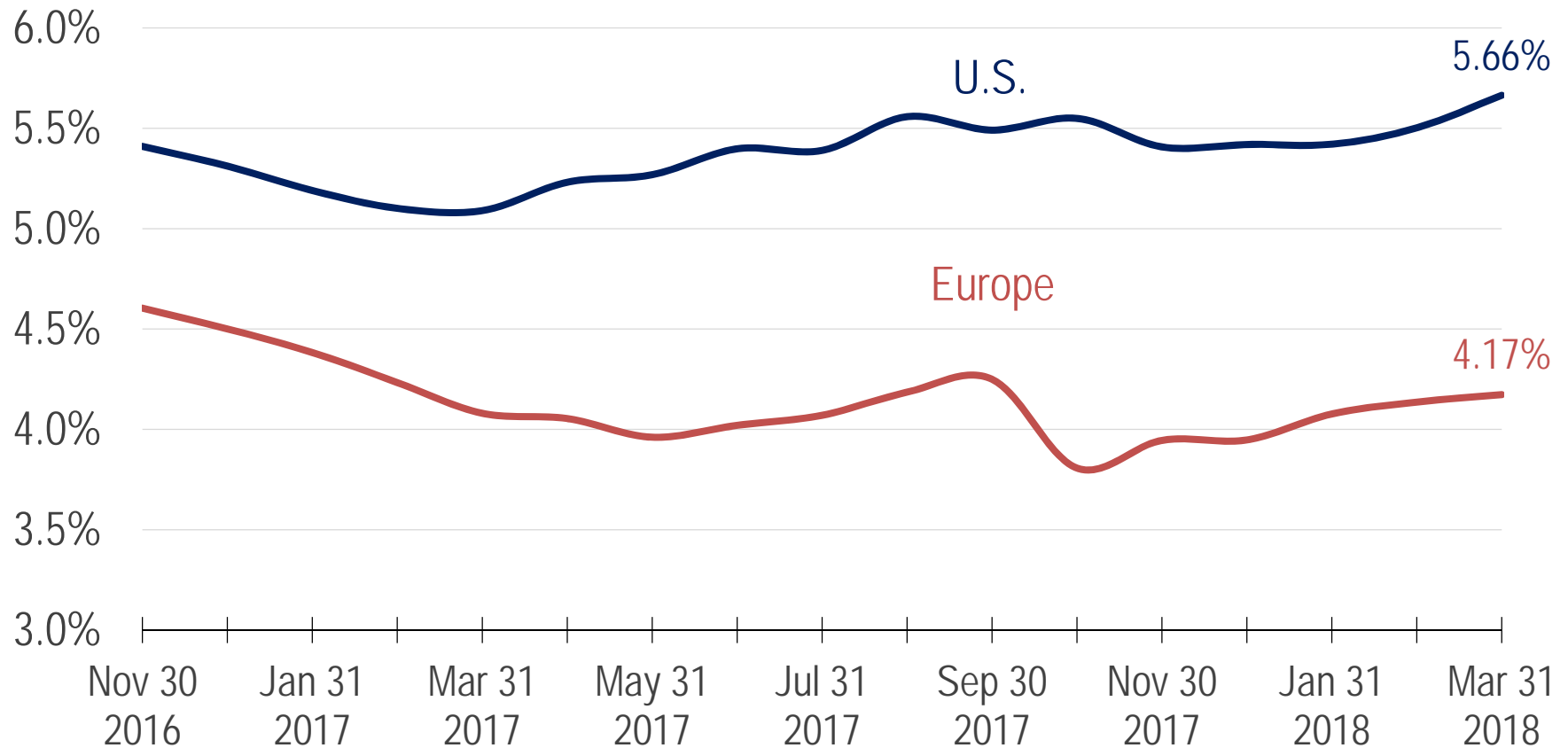


U.S. rates make repricings more tolerable



Gap between U.S. and Europe has widened

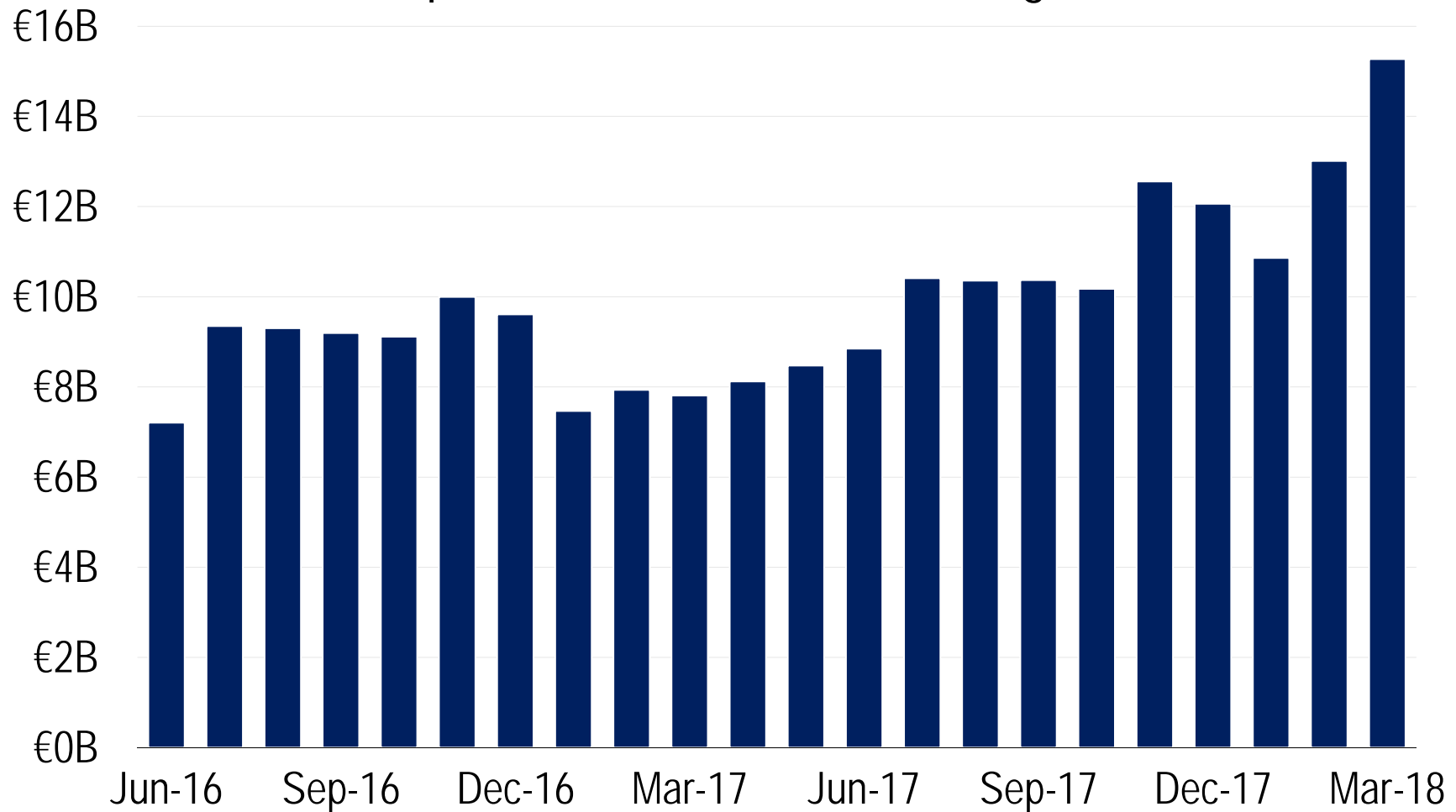
YTM at issue for TLBs rated B (rolling 3-months)



Source: LCD, an offering of S&P Global Market Intelligence

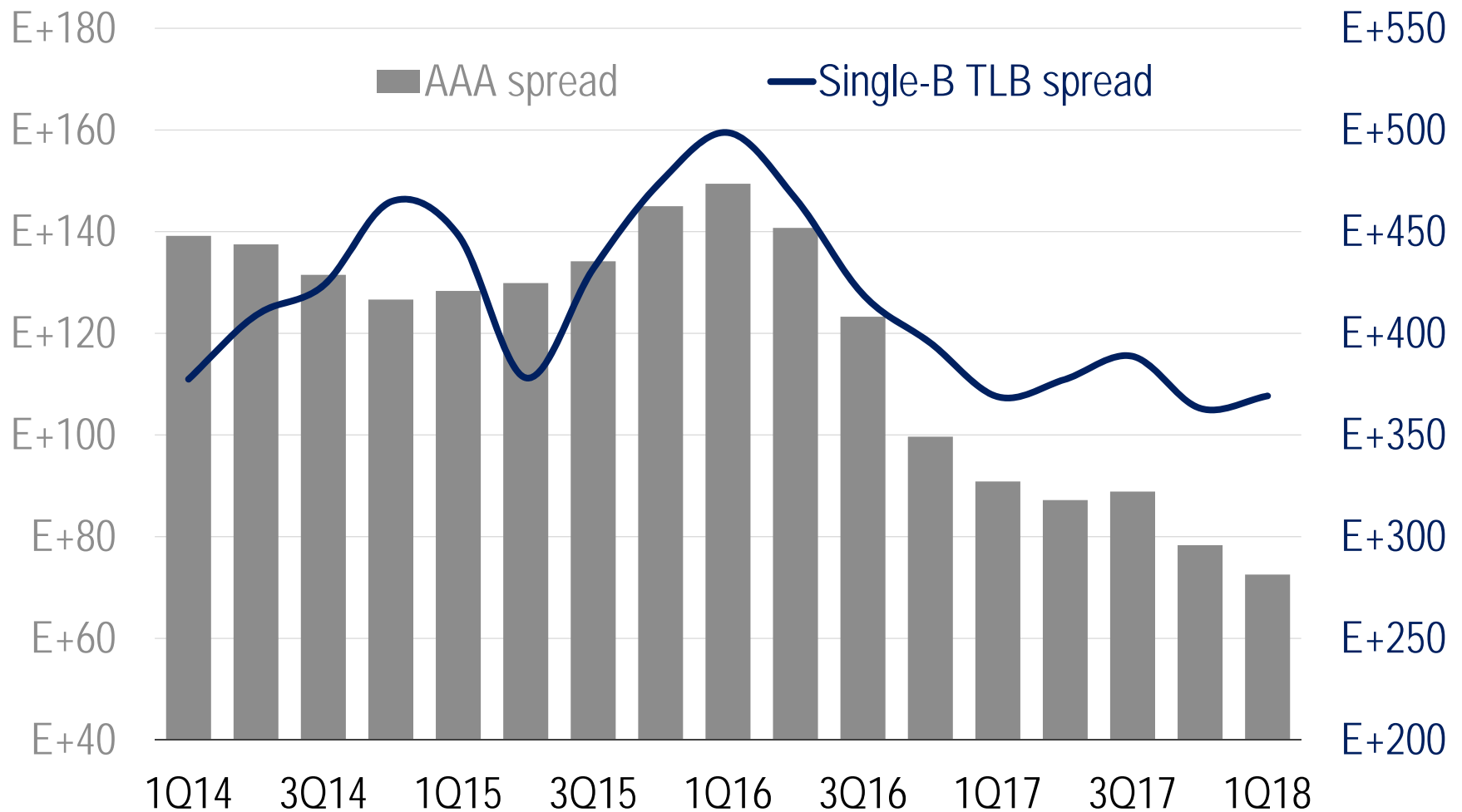
CLO volume accelerating

European CLO issuance — rolling 6 months



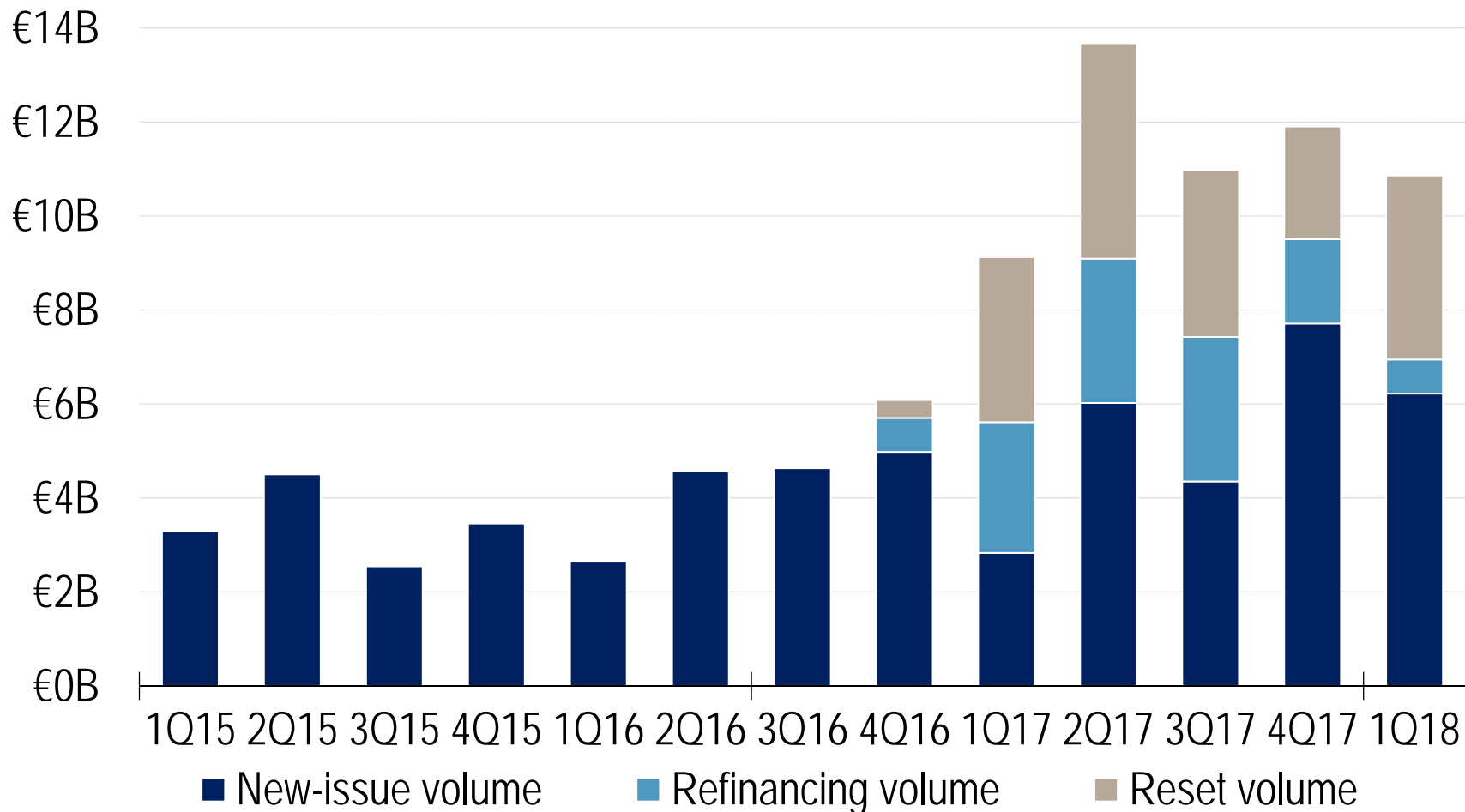
CLO spreads widen, but market not daunted

CLO AAA spread vs TLB spread



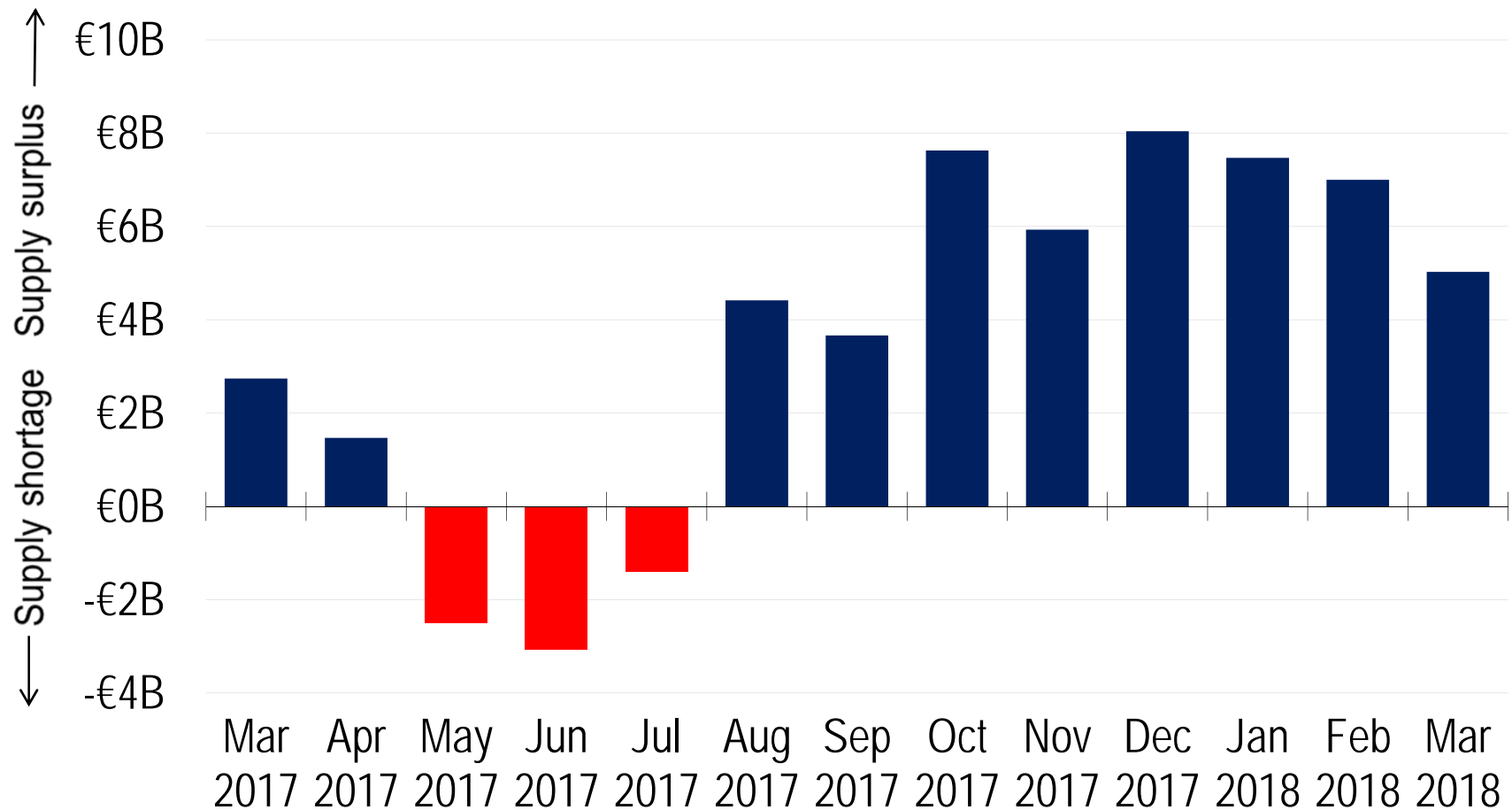
Resets prove preferable

European CLO issuance



Despite high demand – a better balance

Institutional market supply balance* — rolling 6 months



* Based on (a) new issues minus repayments minus (b) CLO issuance

ELLI bid eases amid volatility, fresh supply

Wtd. avg. bid of S&P European Leveraged Loan Index (1Q18)



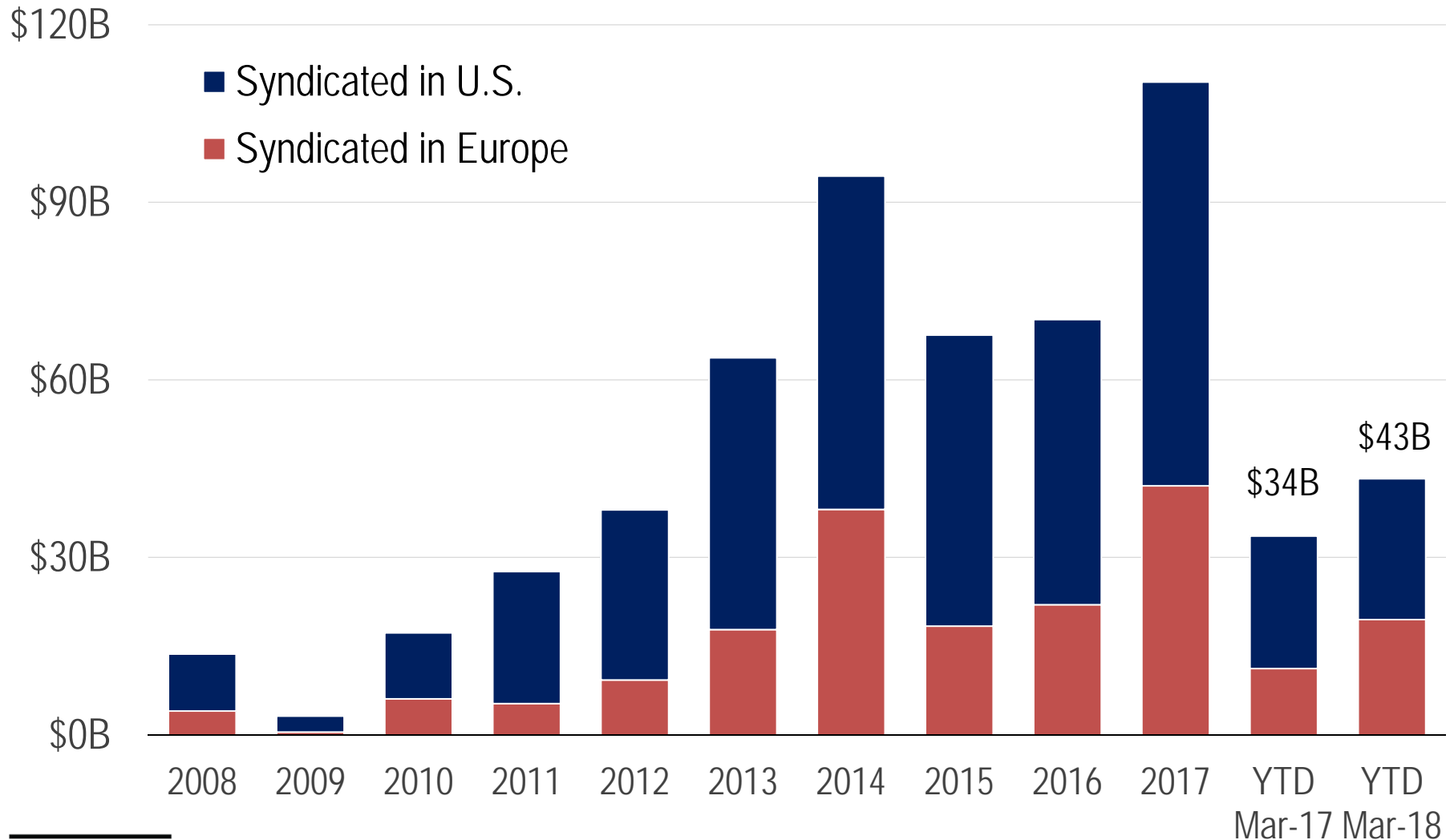
But historically bid still high

Wtd. avg. bid of S&P European Leveraged Loan Index



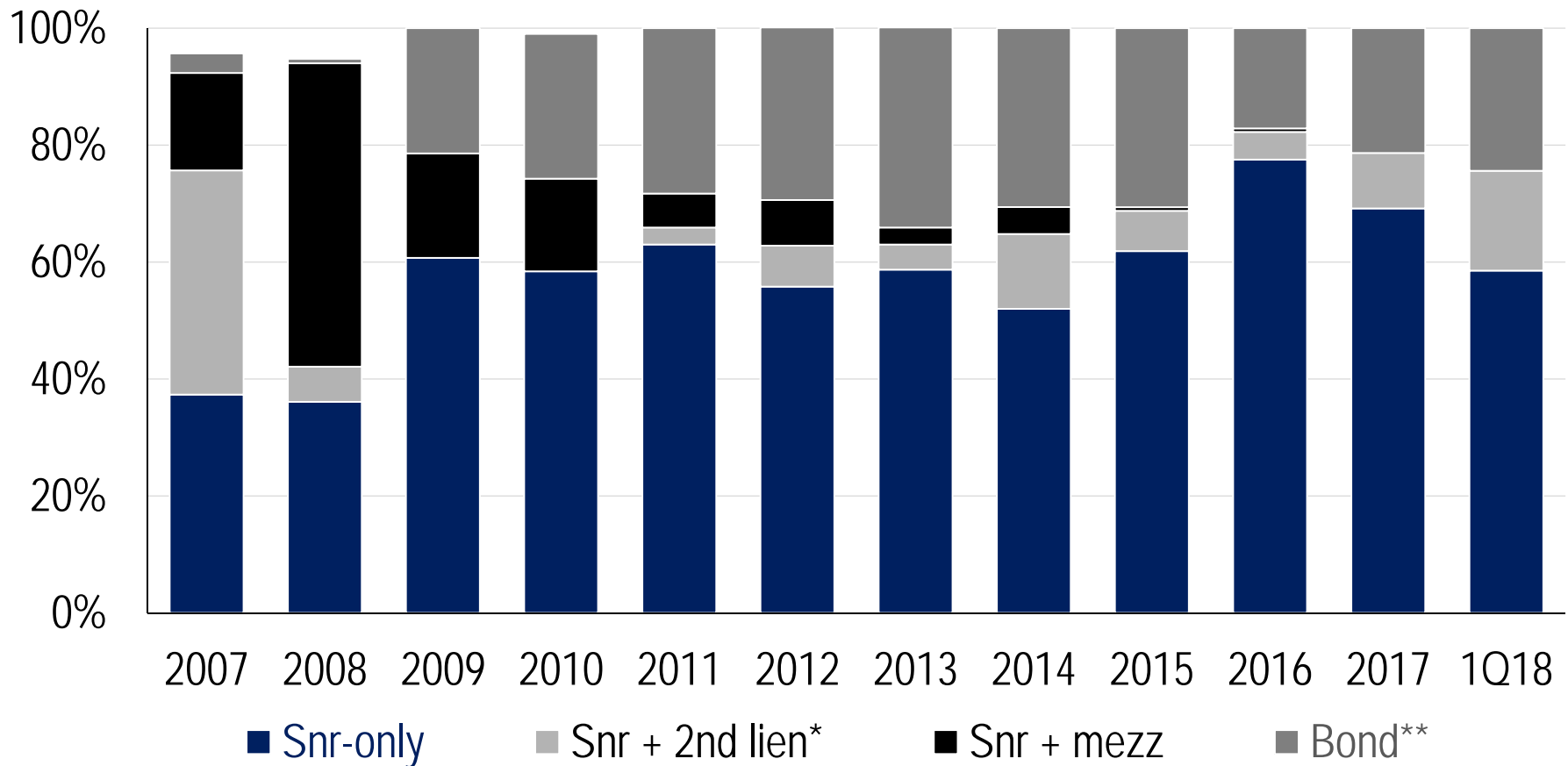
Leveraged finance increasingly global

Cross-border loan volume



Senior-only structures in decline

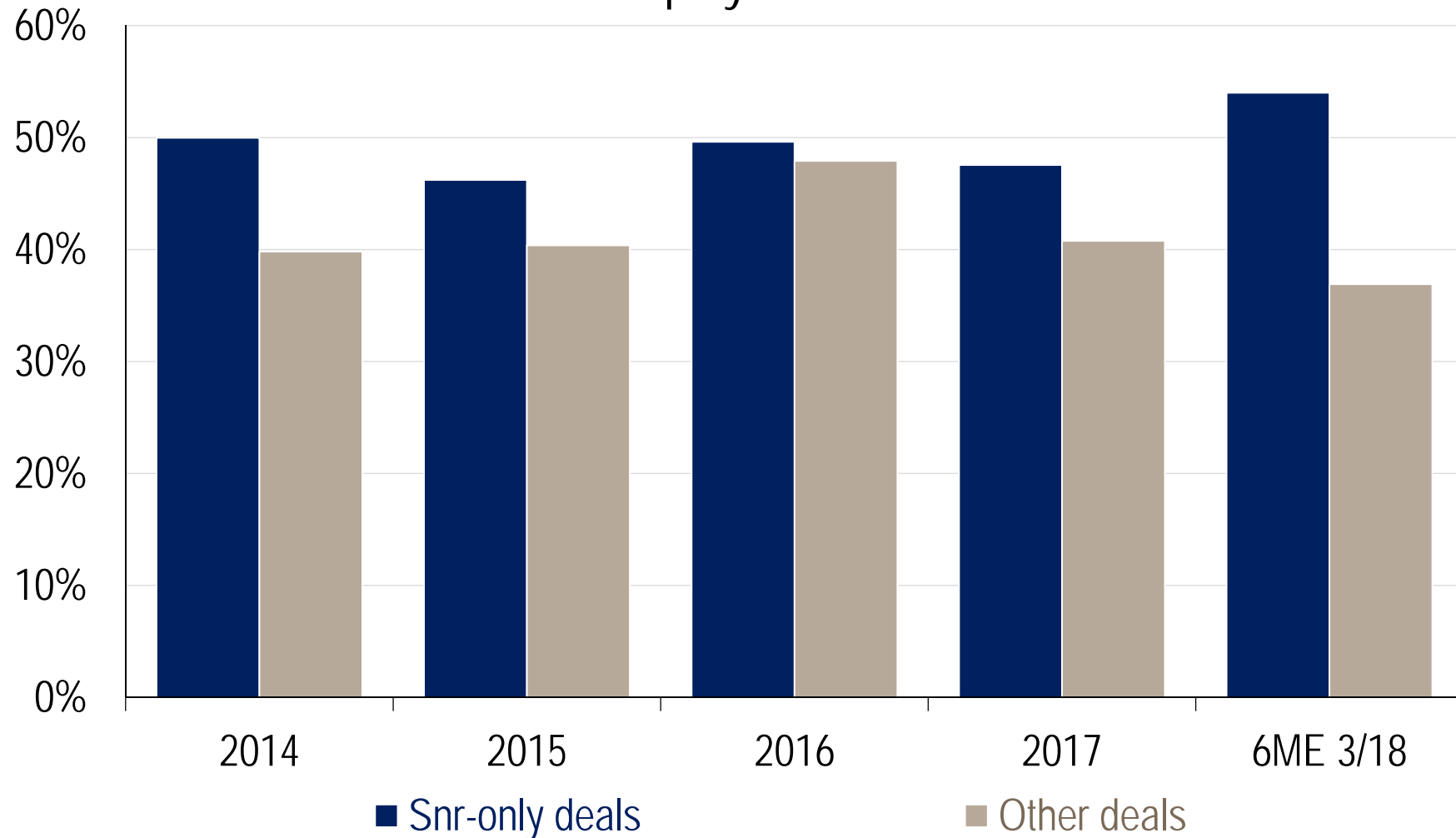
European sponsored borrowers' sources of funding



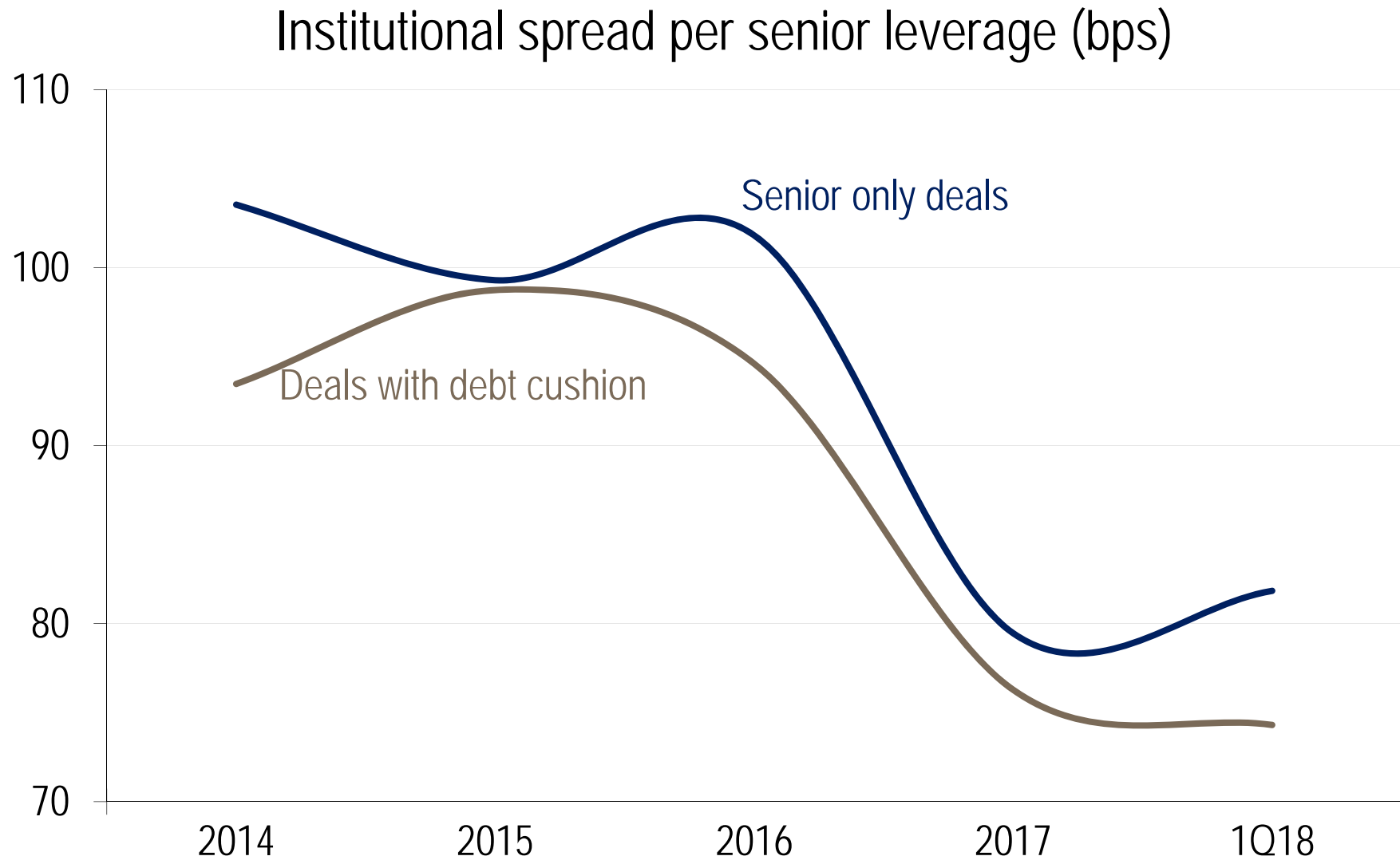
* Includes deals with both 2L and mezz. ** Reflects bond-only structure or bond+snr.

Investors have drawn comfort from cushion...

LBO equity contribution

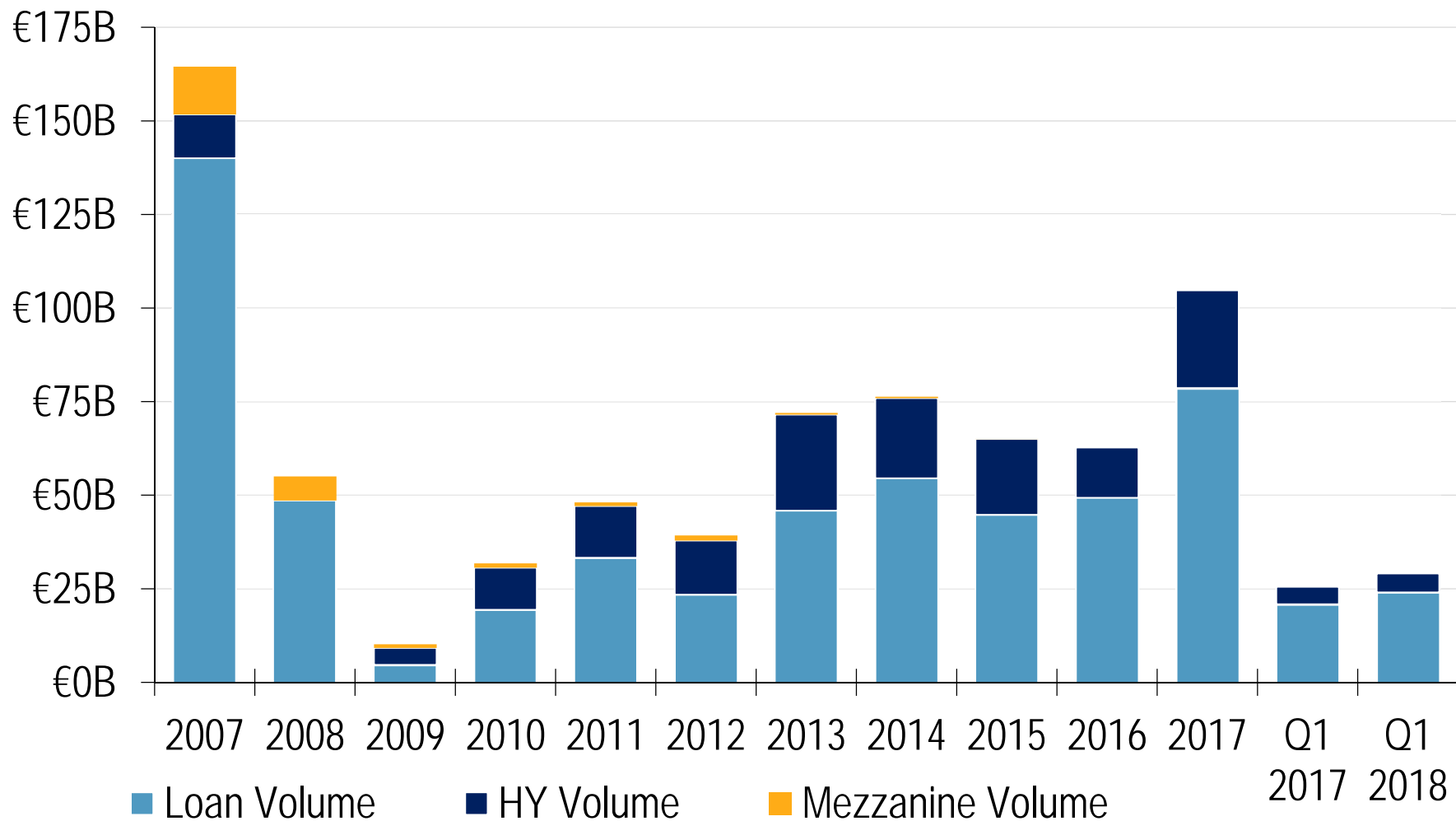


... and higher spreads



Sponsors turn to the bond market

Annual European sponsored finance volume



A cov-lite market

Cov-lite share of outstanding loans tracked by ELLI

