

This report does not constitute a rating action.

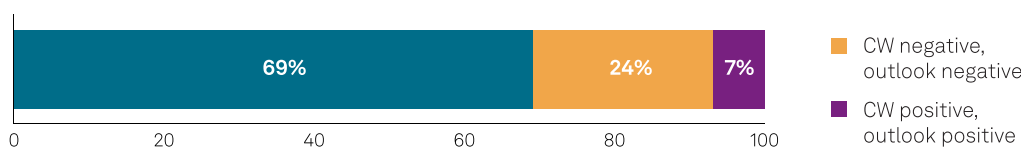
U.S. And Canada Summary Report

Oct. 16, 2023

The September Snapshot

The credit quality of North American borrowers will likely erode, particularly issuers rated in the 'CCC/C' categories

Outlook distribution



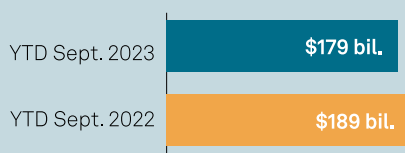
Six new speculative-grade issuers in August



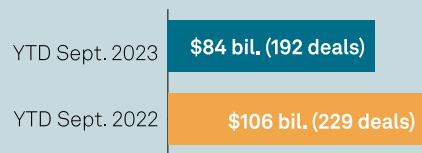
Top sectors



September represented the highest monthly volume so far in 2023, with \$38 billion of new deals in the primary leveraged loan market



A slightly soft September, with full-month volume of \$9.6 billion across 20 transactions in the U.S. primary CLO market



Note: The data above is year-to-date (YTD) except for the outlook distribution. CW--CreditWatch. CLO--Collateralized loan obligations. Outlook distribution is rounded to a whole number and only includes U.S. and Canada corporate ratings (excluding the utilities sector). Source: S&P Global Ratings. Leveraged loan (institutional) and CLO primary market data is sourced from PitchBook LCD.

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DATA - To see the data referenced in this report, click [here](#).

[Download Data](#)

PODCASTS

The Upgrade Episode 27: Speculative Grade Issuers Face Rising Pressure as Revenue Growth Slows, Sept. 14, 2023

The Upgrade Episode 26: 'CCC' Buckets Pick Up In CLOs As Cash Flow Generation Falls, Nov. 25, 2022

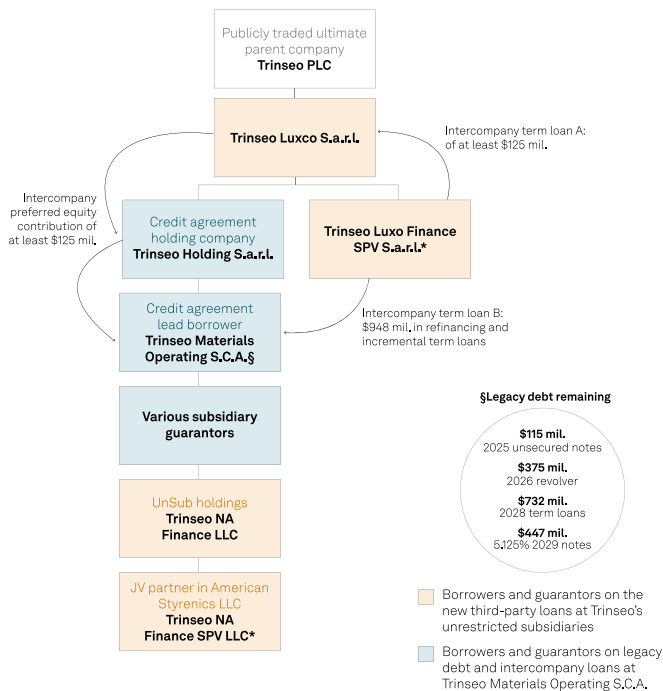
The Upgrade Episode 25: The Pinch Of Higher Benchmark Rates and Risk Premiums, Oct. 21, 2022

Key Insights

- Higher-for-longer interest rates, the possibility of a recession, and lingering inflation suggest that the credit conditions for borrowers in North America will likely deteriorate. We rate approximately 40% of our North American speculative-grade issuers 'B-' and below, with health care and high technology having more than half of their rated portfolio in these lower-rated categories. Both sectors are highly concentrated in the U.S. and are facing increased interest expenses, which is pressuring their margins and cash flow.
- We expect the U.S. trailing 12-month speculative-grade corporate default rate will reach 4.5% by June 2024, which is just above the 4.1% long-term average (see chart 5). If a recession occurs--mainly because inflation and interest rates remain high--the default rate could reach our pessimistic case of 6.5% (109 defaults).¹ Year to date (YTD), as of Aug. 31, 2023, there have been 73 defaults (3.7%).
- Refinancing risk for leveraged companies remains high, particularly for sectors with a high proportion of weaker credits. Slowing economic growth and elevated borrowing costs will negatively affect issuers' ability to address their financing needs.

Monthly Highlight

Creative Structuring Helps Trinseo PLC, Comes With Lowered Recovery Prospects And Higher Costs



*Co-borrowers on the \$1.077 bil. third-party 2028 term loan. JV - Joint venture.

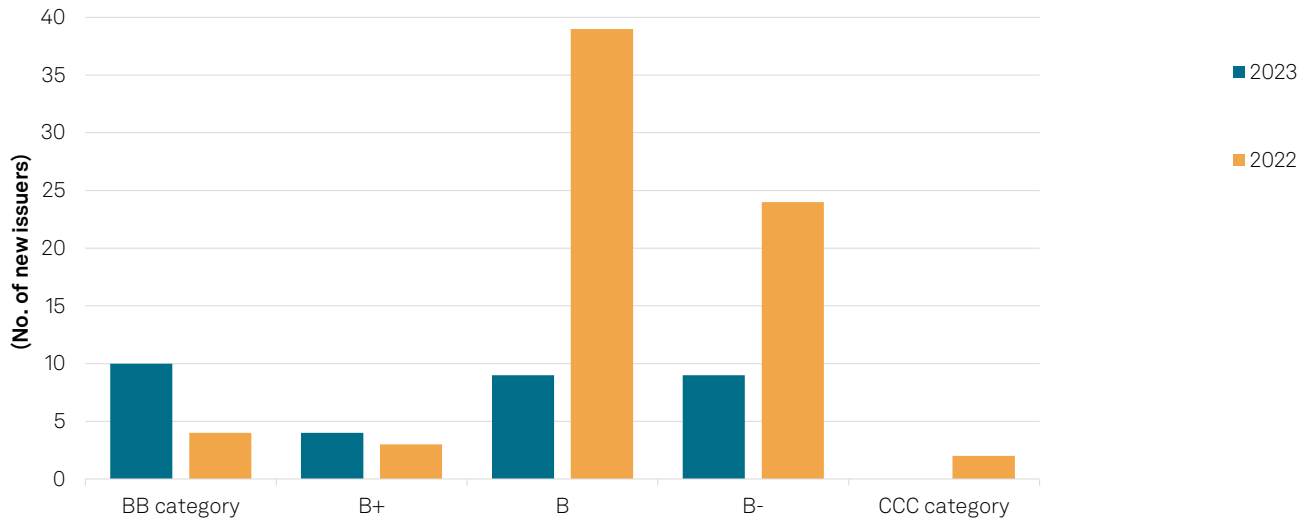
"Refinancing has been challenging for many companies with issuer credit ratings at the low end of the speculative-grade scale over the past 18 months. Some have used creative financing structures to attract new debt capital. Trinseo PLC (CCC+/Negative) provides an interesting case study of creative structuring that helped the firm procure new debt financing to address pending near-term maturities."

[Read The Full Report >](#)

YTD Speculative-Grade New Issuers

Chart 1

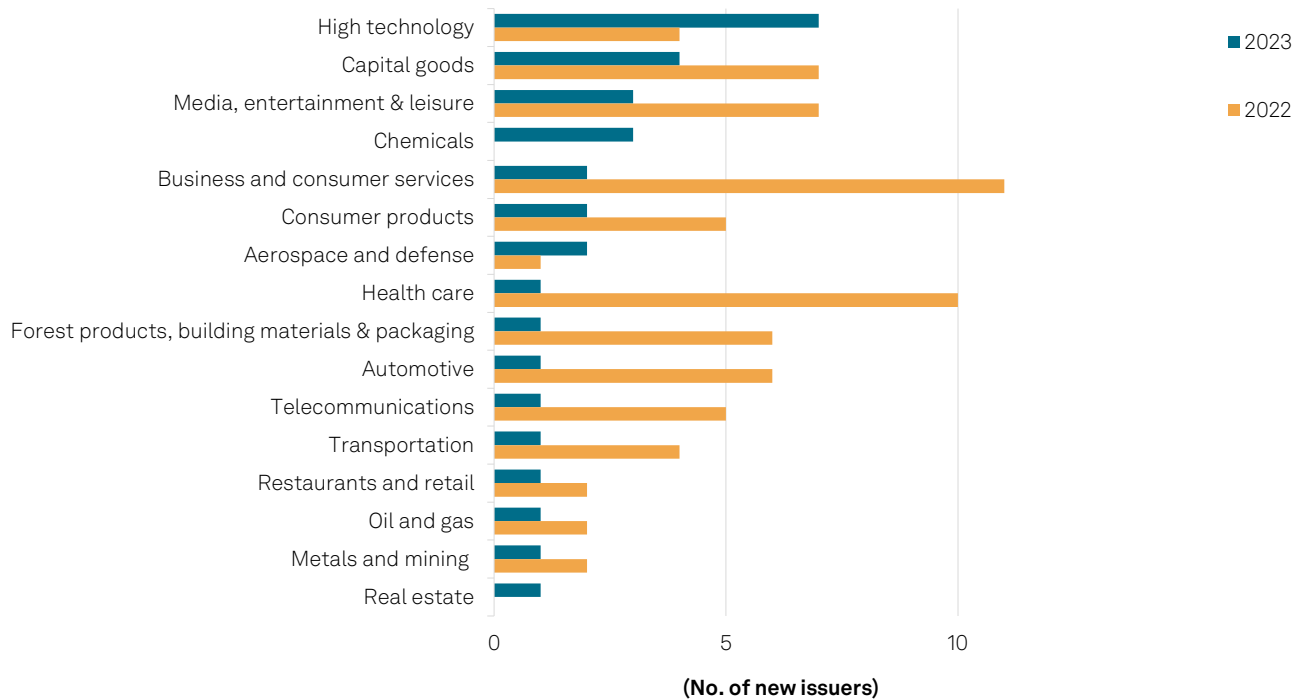
New issuers by rating



Note: Data represents new issuers as of Sept. 30, 2022, and 2023. Includes U.S. and Canada corporate ratings and excludes confidential issuers. There were four new issuers in Sept. 2022 and six in Sept. 2023. Source: S&P Global Ratings.

Chart 2

New issuers by industry group



Note: Data represents new issuers as of Sept. 30, 2022, and 2023. Includes U.S. and Canada corporate ratings and excludes confidential issuers. Source: S&P Global Ratings.

Defaults

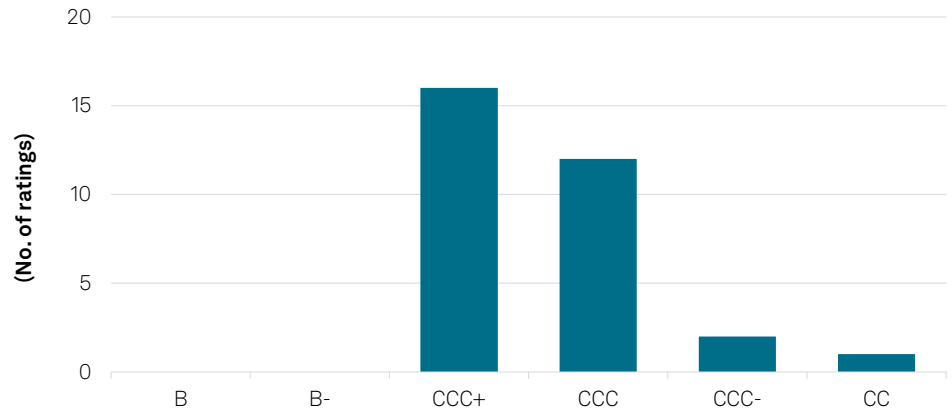
Chart 3

Downgrade to 'SD'/'D'



Chart 4

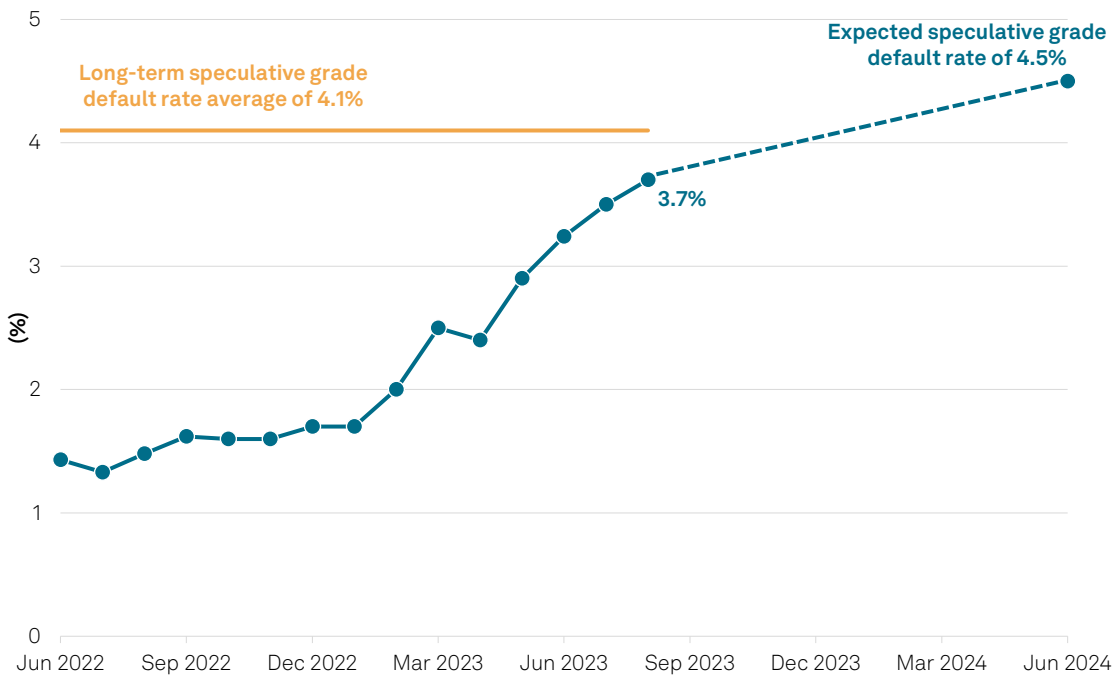
Ratings raised after selective default ('SD' - 24 Raised)



Note: Data as of YTD Aug. 31, 2023. Includes U.S. (including Bermuda and Cayman Islands in chart 3) and Canada corporate ratings. SD--Selective default. Source: S&P Global Ratings. For more information on U.S. and Canada defaults, refer to our monthly publication, Corporate Defaults Record Highest August Total Since 2009, published Sept. 12, 2023. We also publish a newsletter, This Week In Credit, which lists our weekly rating actions and defaults. Click here for the latest "This Week In Credit" report.

Chart 5

U.S. trailing-12-month speculative-grade default rate

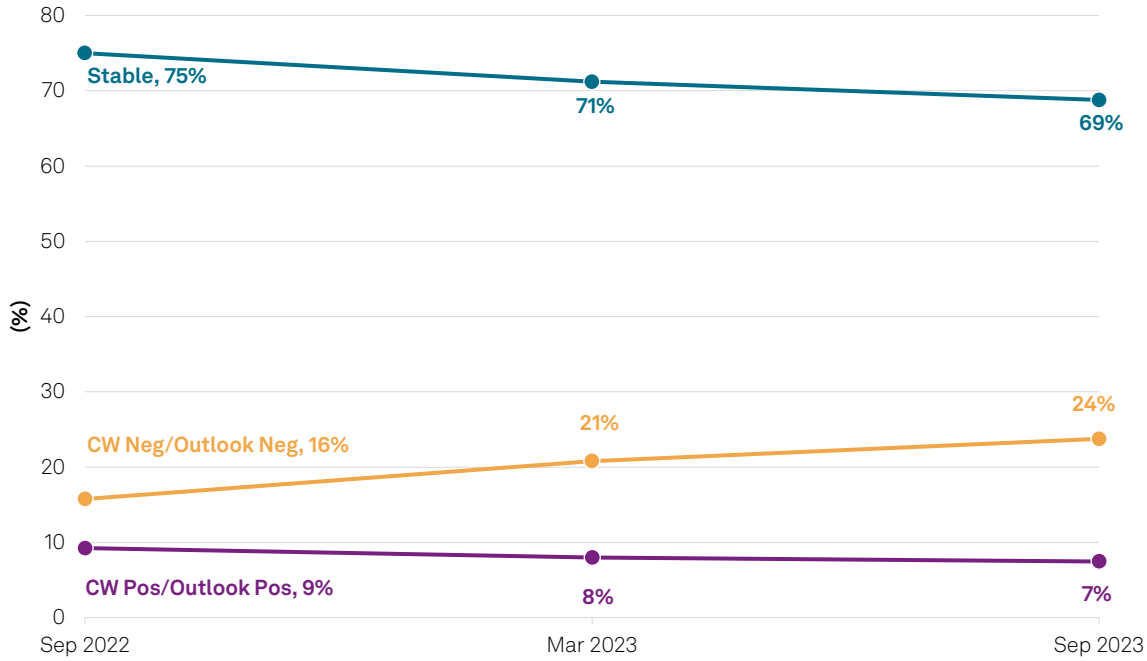


Note: Data as of Aug. 31, 2023. The long-term average dates back to Dec. 1981. Source: S&P Global Ratings, [Corporate Defaults Record Highest August Total Since 2009](#), published Sept. 12, 2023.

Speculative-Grade Rating Outlook Mix

Chart 6

September 2022/2023 speculative-grade **CreditWatch/Outlook** distribution

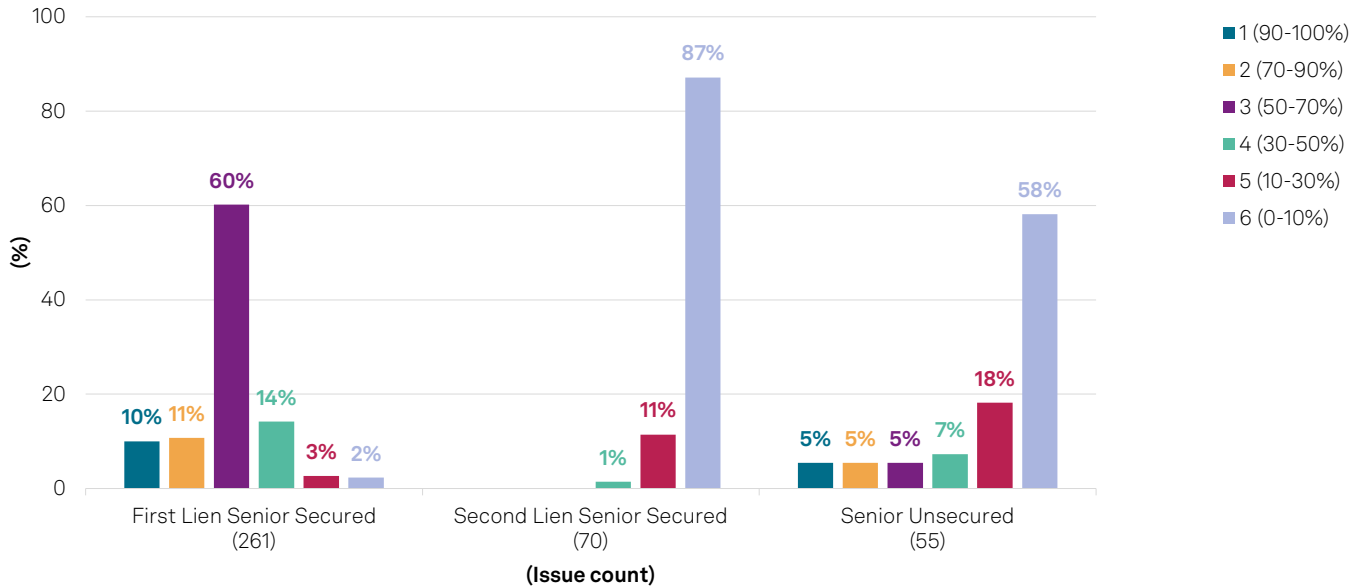


Note: Data from Sept. 30, 2022 to Sept. 30, 2023. CreditWatch/outlook distribution includes all U.S. and Canada corporate ratings. Does not include investment-grade issuers. Source: S&P Global Ratings.

Recovery Ratings

Chart 7

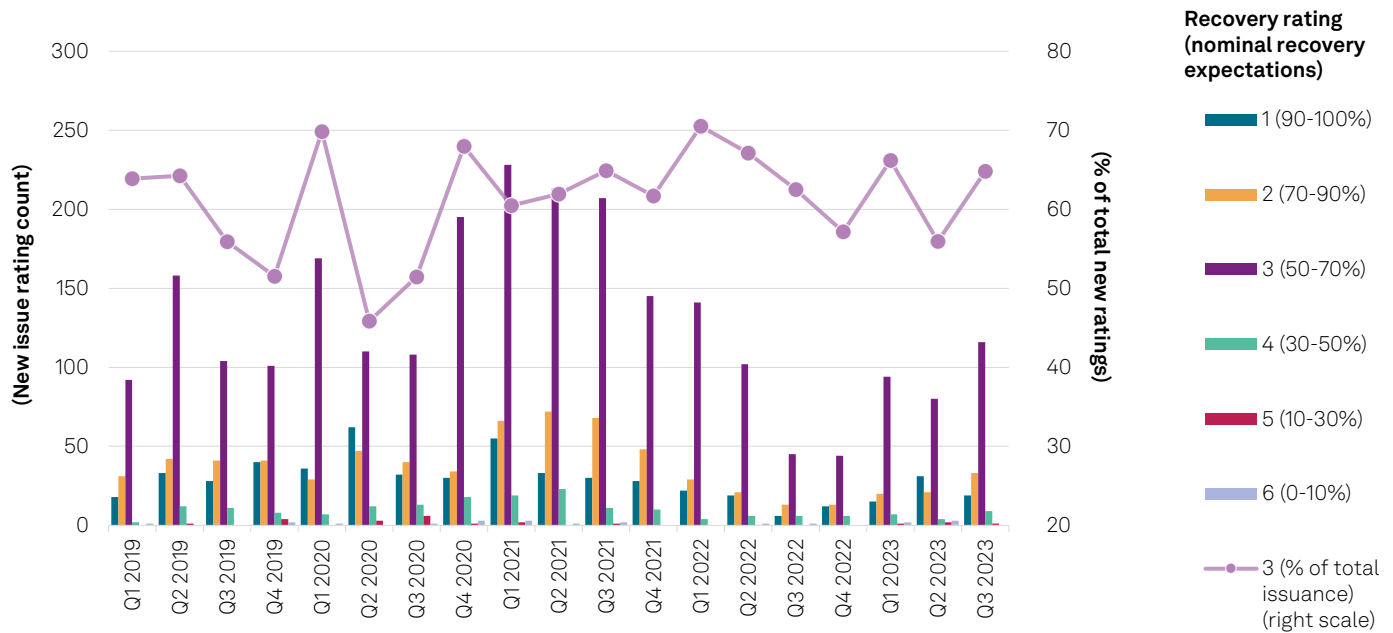
Recovery rating distribution for 'B-' and below with negative outlooks



Note: Data as of Sept. 30, 2023. Corporate issuers rated 'B-' and below with negative outlooks. Source: S&P Global Ratings.

Chart 8

Recovery ratings distribution of first-lien new issues (U.S. And Canada)



Source: S&P Global Ratings.

CLOs

Table 1

Top 10 obligors held in U.S. BSL CLOs (third-quarter 2023)

Rank	Obligor	Rating & CW/Outlook	GIC code
1	Liberty Global PLC	BB-/Stable	Diversified telecommunication services
2	Altice Europe N.V.	NR	Media
3	Asurion Group Inc.	B+/Stable	Information technology services
4	Altice USA Inc.	B/Negative	Media
5	Medline Borrower L.P.	B+/Stable	Health care providers and services
6	Lumen Technologies Inc.	CCC+/Negative	Diversified telecommunication services
7	Ineos Ltd.	NR	Chemicals
8	Peraton Corp.	B/Stable	Information technology services
9	UKG Inc.	B-/Negative	Software
10	TransDigm Inc.	B+/Stable	Aerospace and defense

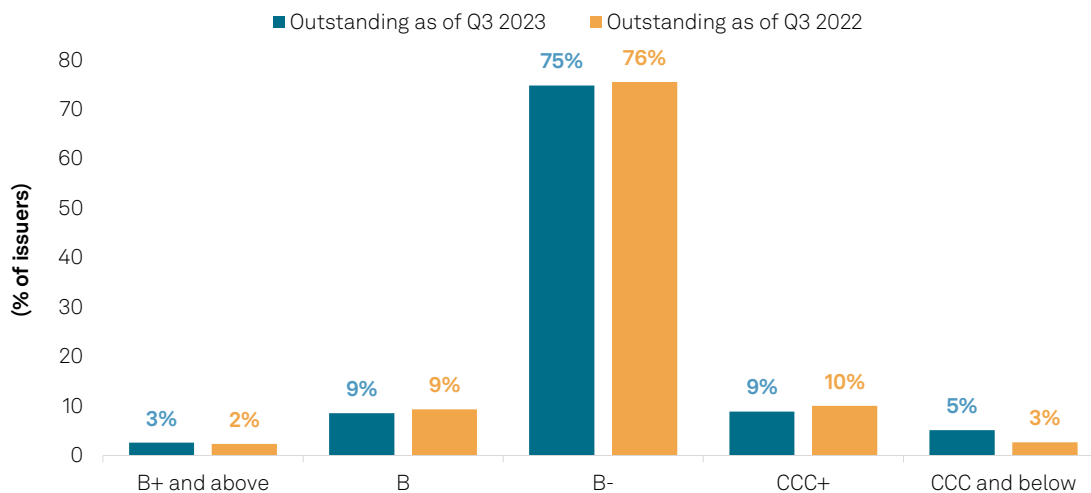
Note: Ratings and CreditWatch/outlooks as of Oct. 12, 2023. NR--Not rated.
 Source: S&P Global Ratings. [U.S. BSL CLO Top Obligors And Industries Report: Second-Quarter 2023](#), Oct. 11, 2023.

Middle Market CLOs | Credit Estimates

For more information, click [here](#) for the Credit FAQ on Credit Estimates.

Chart 9

Overall credit estimate distribution by issuer count*



*Covers all outstanding S&P Global Ratings U.S. credit estimates, including estimates for obligors not currently held within a CLO transaction. CLO--Collateralized loan obligation. Source: S&P Global Ratings.

Sources

¹[The U.S. Speculative-Grade Corporate Default Rate Could Rise To 4.5% By June 2024](#), Aug. 17, 2023

Related Research

- [Creative Structuring Helps Trinseo PLC. Comes With Lowered Recovery Prospects And Higher Costs](#), Sept. 19, 2023
- [U.S. Leveraged Finance Q2 2023 Update: Disparities Emerge By Sector, Rating, Company Size, And Debt Cushion](#), Aug. 3, 2023
- [Rocky Road Ahead For Recurring-Revenue Loans](#), June 21, 2023
- [Refinancing Needs And Rate Uncertainty Drive Issuers To The High-Yield Bond Market](#), June 1, 2023
- [Recovery Report Tracker--U.S. And Canada \(As Of April 27, 2023\)](#), April 27, 2023
- [Risks To Leveraged Loans And CLOs Amid An Increasingly Cloudy Macroeconomic Environment](#), March 29, 2023
- [New Study Finds U.S. Speculative-Grade Issuers Most Vulnerable To Higher-For-Longer Interest Rate Environment](#), March 27, 2023
- [Fifth Annual Study Of EBITDA Addbacks Finds Management Continues To Regularly Miss Projections](#), Feb. 16, 2023
- [U.S. Leveraged Finance Q4 2022 Update: Inflation Pressures Hit Margins, Rate Rises To Hit Cash Flow](#), Feb. 7, 2023
- [Credit Trends: Risky Credits: North America's 'CCC+' And Below Rated Debt Reaches \\$230 Billion](#), Nov. 23, 2022
- [U.S. Leveraged Finance Q3 Update: 'CCC' Buckets Pick Up In CLOs As Cash Flow Generation Falls](#), Oct. 27, 2022
- [Credit FAQ: Envision Healthcare Corp.'s Two Major Restructurings In 100 Days](#), Sept. 2, 2022
- [Leveraged Finance: Leveraged Loan Market Could Feel The Pinch Of Higher Benchmark Rates And Risk Premiums For A While](#), Aug. 10, 2022
- [U.S. Leveraged Finance Q2 2022 Update: Corporate Borrowers Brace For Slow-Growth Recession](#), July 27, 2022
- [Common Themes In Middle-Market Credit Agreements](#), July 6, 2022

Leveraged Finance Key Resources

- [U.S. Speculative-Grade Corporate Default Forecast](#), Aug. 17, 2023
- [U.S. BSL CLO And Leveraged Finance Key Themes Q3 2023](#), Aug. 7, 2023
- [U.S. Leveraged Finance Q2 2023 Update](#), Aug. 3, 2023
- [U.S. And Canada Risky Credits](#), July 26, 2023
- [Middle-Market CLO And Private Credit Q3 2023](#), July 24, 2023
- [Global Leveraged Finance Handbook, 2022-2023](#), July 17, 2023
- [U.S. Corporate Default And Rating Transition](#), June 13, 2023
- [EBITDA Addback Study](#), Feb. 16, 2023

Articles are available at [Corporate Research | S&P Global Ratings \(spglobal.com\)](#).

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