

This report does not constitute a rating action

European Summary Report

Jan. 23, 2024

The December Snapshot

EUROPEAN CORPORATE RATINGS LEVERAGED FINANCE CONTACTS

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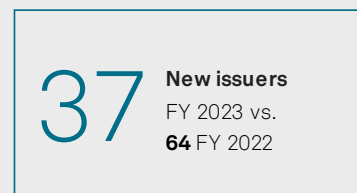
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Speculative grade issuers remain under pressure, particularly in the 'CCC' categories

Outlook distribution



Three new speculative-grade issuers in December



Top sectors



Business and consumer services

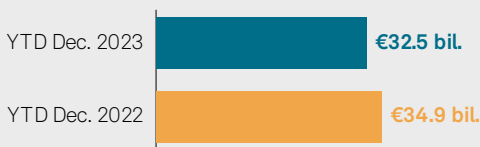


Restaurants and retail

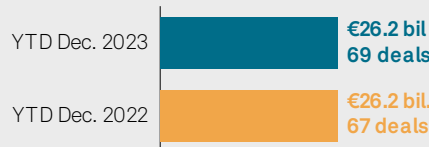


Media, entertainment, and leisure

Full-year institutional volume in European leveraged loan market slightly below 2022 levels



2023 European CLO issuance surpassed last year's levels



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

This report covers issuers incorporated in: Austria, Belgium, Bulgaria, Cayman Island, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hungary, Iceland, Ireland, Isle of Man, Italy, Jersey, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, Norway, Poland, Portugal, Romania, Spain, Sweden, Switzerland, and the U.K. We update all the graphs and charts as per the latest newsletter period. Even when there are no changes, we continue to include the charts for continuity.

[Download data >>](#)

WEBINARS AND PODCASTS

[European Healthcare Services Outlook 2024: A Brighter Future Ahead](#), Dec. 12, 2023

[How Snooze Drag Helps Borrowers Extend Loan Maturities](#), Dec. 11, 2023

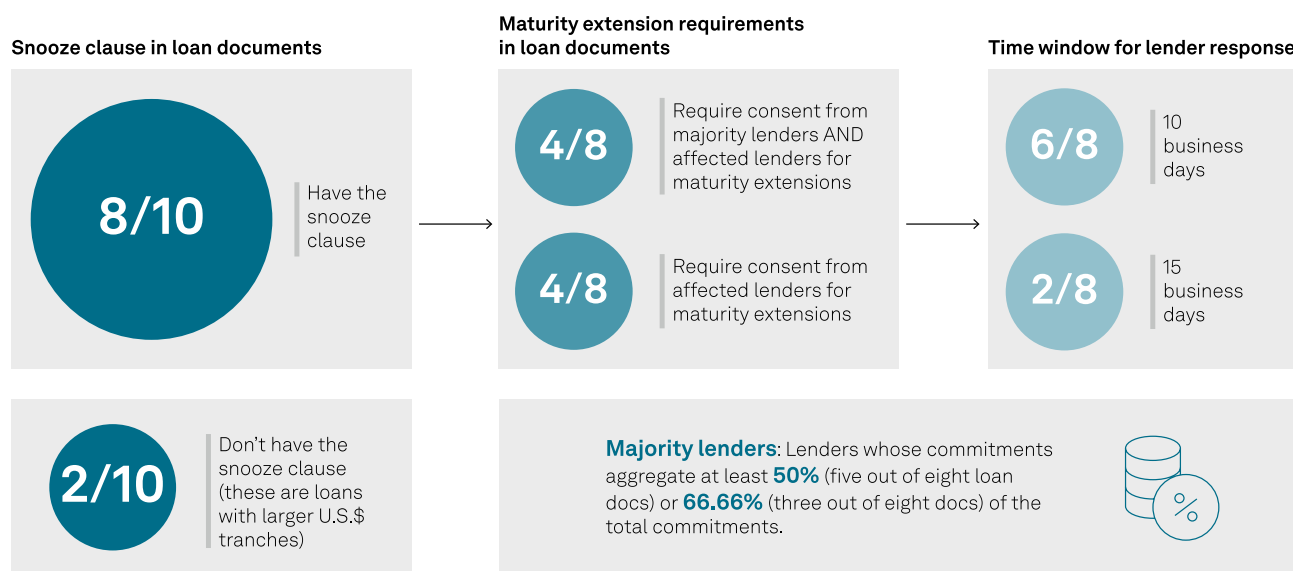
Key Insights

1. The rise in real interest rates, elevated financing costs, persistent inflation, and overall uncertain economic conditions were key credit factors for 2023. Sectors relying on discretionary spending, such as consumer goods, media, and entertainment, saw credit quality decline. Conversely, sectors like airline and leisure consolidated their post-COVID-19 rebound and others (for instance, oil and gas) even benefited from the turbulent economy. Healthcare and chemicals faced the highest number of downgrades, with healthcare dealing with debt burdens and labor shortages, and chemicals affected by an unforeseen decline in global demand.
2. The increase in defaults in 2023 is largely because of issuers' operational challenges and deteriorating liquidity exacerbated by burdensome refinancing costs. We expect these risks to escalate during the next 12 months, given persistent economic issues and the upcoming surge in debt maturities through 2025.
3. We expect opportunities for private credit funds to remain robust in 2024, after booming in 2023. Given turbulent public markets, borrowers are looking for other funding sources to meet upcoming maturities. Broadly syndicated loan issuance is down to its lowest level since 2010, and 'CCC' bond issuance is at its lowest level since 2008. Private credit is poised to absorb a substantial portion of upcoming maturities for corporate debt rated 'B-' and below.

Monthly Highlight

Why European Leveraged Loan Borrowers Like The "Snooze Drag"

Eight of the 10 largest leveraged loans in CLO transactions in Europe in 2023 include snooze clauses.



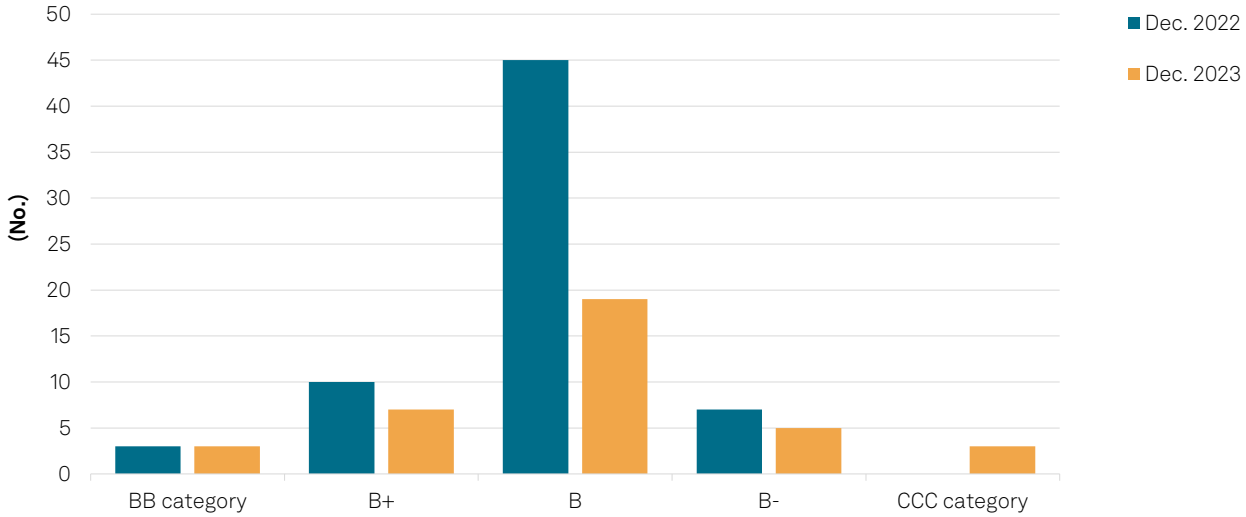
Source: S&P Global Ratings.

[Read the full report >>](#)

2023 Speculative-Grade New Issuers

Chart 1

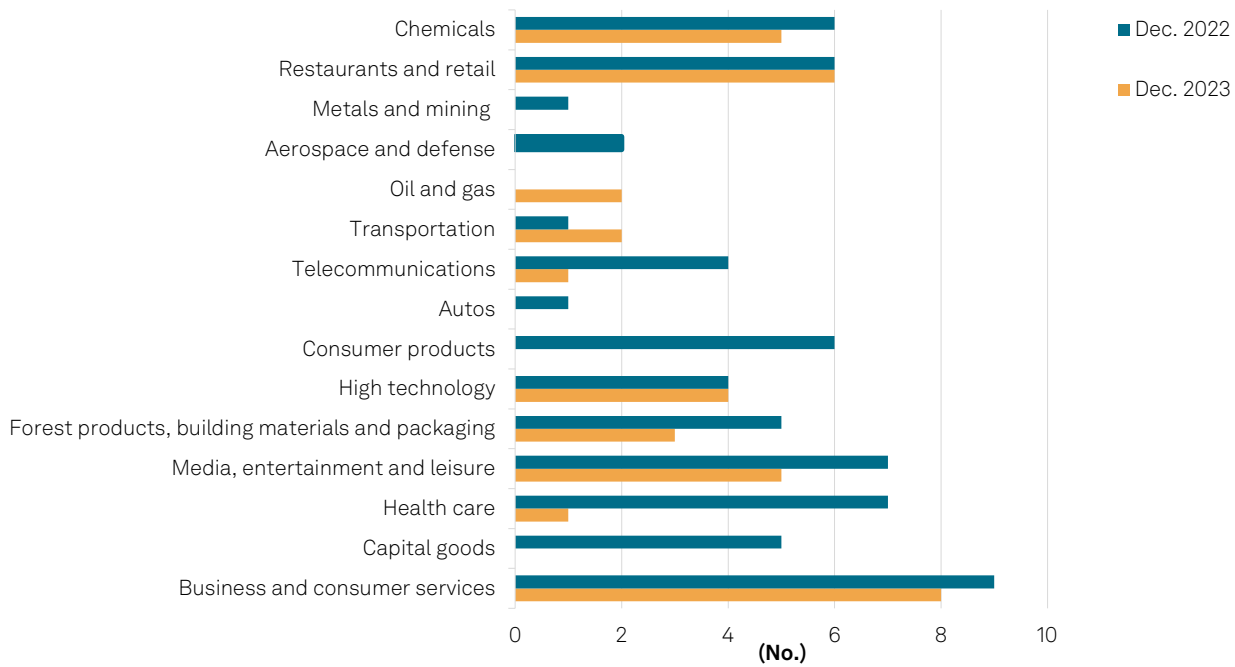
New issuers by rating



Note: Data represents new issuers as of Dec. 31, 2022, and 2023. Includes European corporate ratings and excludes confidential issuers. Source: S&P Global Ratings.

Chart 2

New issuers by industry group



Note: Data represents new issuers as of Dec. 31, 2022, and Dec. 31, 2023. Includes European corporate ratings and excludes confidential issuers. Source: S&P Global Ratings.

Defaults

Chart 3

YTD downgrades to 'SD'/'D'



Table 1

Ratings raised after selective default ('SD') and default ('D')

Issuer Name	Prior Rating	Rating raised to	Sector	Reason for default
Cineworld Group PLC*	D	B-/Stable	Media and entertainment	Bankruptcy
Covis Finco S.a r.l.	D	B-/Negative	Health care	Distressed exchange
Ideal Standard International S.A.	SD	CCC/Developing	Building materials	Distressed exchange
Mallinckrodt PLC	D	B+/Stable	Health care	Missed interest payments
Tullow Oil PLC	D	B-/Negative	Oil	Distressed exchange

*Cineworld Group PLC has been re-rated as New Cineworld Midco Ltd.

Note: Data on number of defaults are as of December 2023. Includes European corporate ratings. D--Default. SD--Selective default. For more information on European defaults, see "[Corporate Defaults Jumped 80% In 2023 To 153](#)," published Jan. 16, 2024. List of ratings raised after 'SD' and 'D' is as of Dec. 31, 2023. Source: S&P Global Ratings.

Table 2

European corporate defaults

Date	Parent company	Country/Market	Subsector	To	From	Reason
31/01/2023	Missouri TopCo Ltd.	U.K.	Consumer products	SD	CCC-	Distressed exchange
22/02/2023	Altisource Portfolio Solutions S.A.	Luxembourg	Financial institutions	SD	CC	Distressed exchange
22/02/2023	Foodco Bondco SAU	Spain	Retail/restaurants	SD	CCC-	Missed interest payments
14/03/2023	Technicolor Creative Studios	France	Media and entertainment	D	CCC-	Missed interest payments
16/03/2023	Mallinckrodt plc	Ireland	Health care	SD	B-	Distressed exchange
23/03/2023	Flint HoldCo S.a r.l.	Luxembourg	Chemicals, packaging, and environmental services	SD	CCC	Missed principal payments
31/03/2023	Toro Private Holdings I, Ltd	U.K.	Transportation	SD	CCC+	Distressed exchange
06/04/2023	Covis Finco S.a r.l.	Switzerland	Health care	SD	CCC+	Distressed exchange
17/04/2023	Adler Group S.A.	Luxembourg	Homebuilders/real estate companies	SD	CC	Distressed exchange
05/05/2023	Frigoglass SAIC	Greece	Consumer products	SD	CC	Distressed exchange
08/05/2023	CatLuxe Sarl	Luxembourg	Consumer products	D	CC	Out-Of-Court Restructuring
18/05/2023	Venator Materials PLC	U.K.	Chemicals, packaging, and environmental services	D	CCC-	Bankruptcy

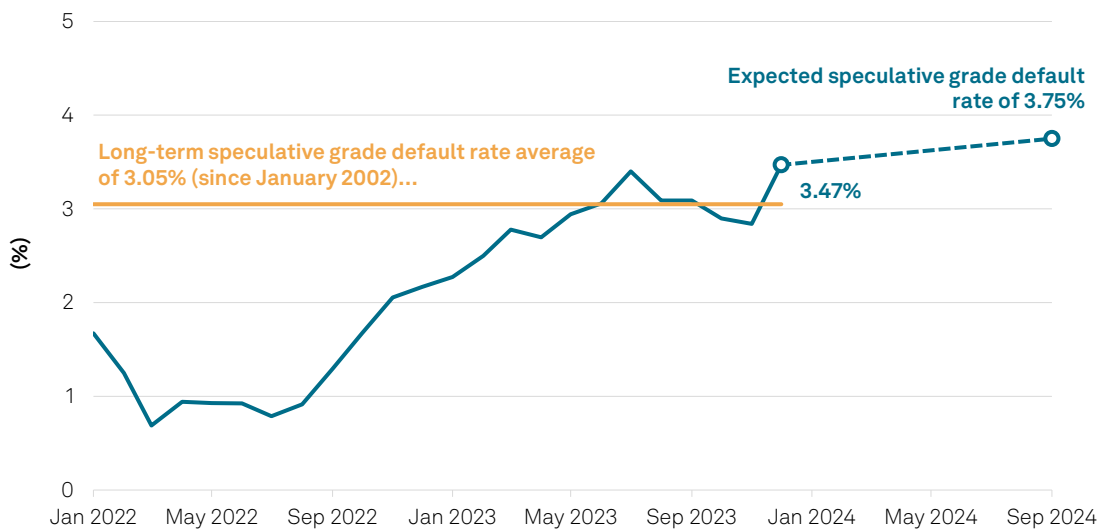
Leveraged Finance: European Summary Report

Date	Parent company	Country/Market	Subsector	To	From	Reason
18/07/2023	Mallinckrodt plc	Ireland	Health care	SD	CCC	Missed interest payments
08/08/2023	Takko Fashion S.a.r.l.	Luxembourg	Consumer products	D	CC	Distressed exchange
31/08/2023	Casino Guichard - Perrachon S.A.	France	Retail/restaurants	D	CC	Missed interest payments
11/09/2023	Haya Holdco 2 PLC	Spain	Consumer products	D	CC	Distressed exchange
21/09/2023	Ideal Standard International S.A.	Luxembourg	Forest products and building materials	D	CC	Distressed exchange
27/11/2023	Tele Columbus AG	Germany	Telecommunications	D	CCC	Missed interest payments
28/11/2023	Praesidiad Group Ltd.	U.K.	Capital goods	D	CCC-	Distressed exchange
05/12/2023	Tullow Oil PLC	U.K.	Oil and gas	SD	CC	Distressed exchange
11/12/2023	Lecta Ltd.	Luxembourg	Forest products and building materials	SD	CC	Distressed exchange
21/12/2023	Wittur International Holding GmbH	Germany	Capital goods	D	CC	Distressed exchange
22/12/2023	Signa Development Selection AG	Austria	Homebuilders/real estate companies	D	CC	Bankruptcy
28/12/2023	SK Neptune Husky Intermediate IV S.a r.l.	Switzerland	Chemicals, packaging, and environmental services	D	CCC+	Missed principal and interest payments

Note: Data as of Dec 31, 2023. Data exclude confidential defaults. Source: S&P Global Ratings Credit Research & Insights.

Chart 4

European trailing-12-month speculative-grade default rate

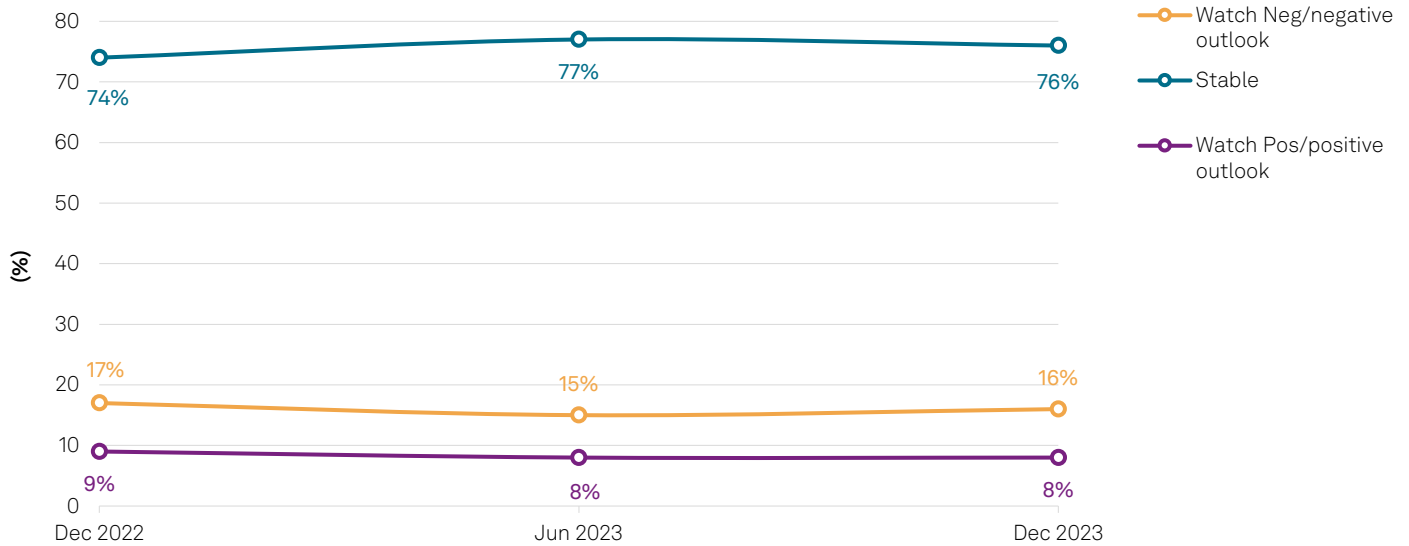


Note: Data as of Dec. 31, 2023. The long-term average dates back to January 2002. Source: S&P Global Ratings. See "[Elevated Interest Rates Could Push The European Speculative-Grade Corporate Default Rate To 3.75% By September 2024](#)," published Nov. 17, 2023.

Speculative-Grade Rating Outlook Mix

Chart 5

December 2022/2023 speculative-grade CreditWatch/outlook distribution

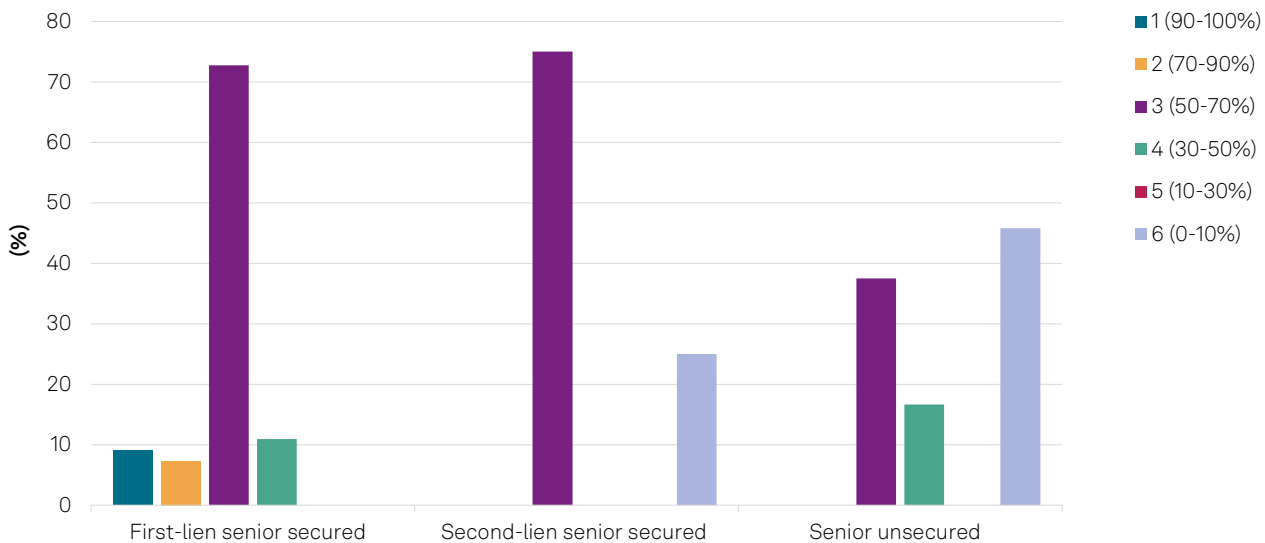


Note: Data as of Dec. 31, 2022, and Dec. 31, 2023. CreditWatch/outlook distribution includes all European corporate ratings. Does not include investment-grade issuers. Source: S&P Global Ratings.

Recovery Ratings

Chart 6

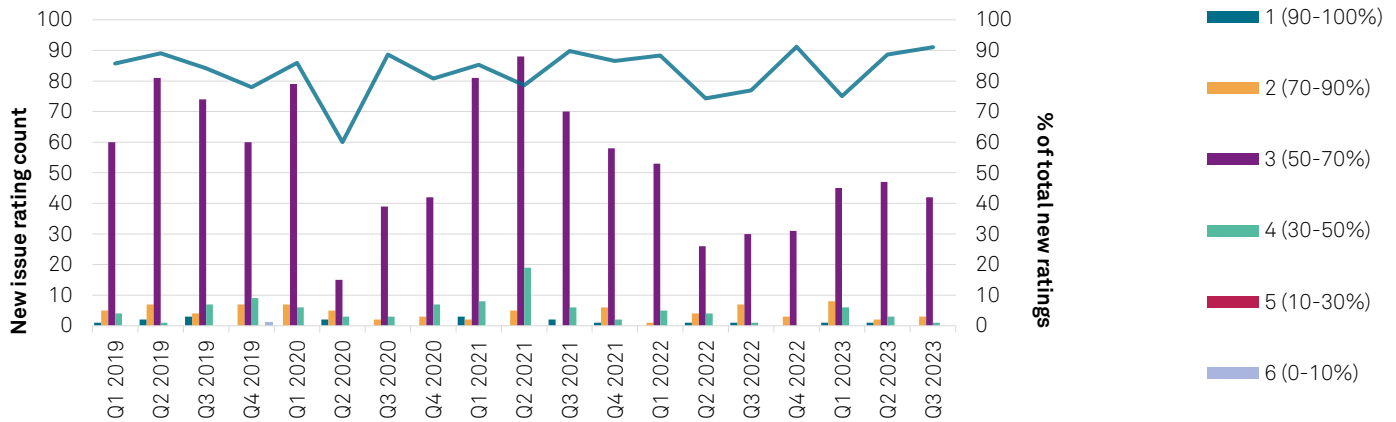
Recovery rating distribution for weakest links



Note: Data as of Sept. 30, 2023. Weakest Links--Issuers rated 'B-' and below with either negative outlooks or on CreditWatch negative. Source: S&P Global Ratings.

Chart 7

Recovery ratings distribution of first-lien new issues (Europe)

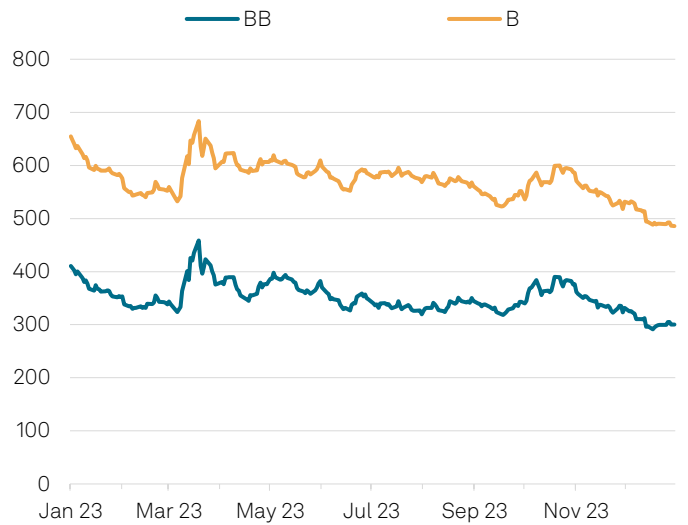


Source: S&P Global Ratings.

High-Yield Bond Insights

Chart 8

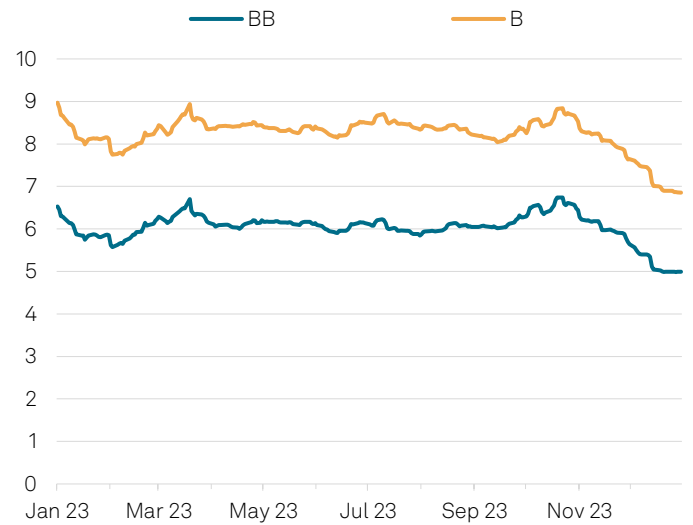
Three-month bond spread (bps)



	BB	B
Minimum	291	486
Maximum	459	684
Average	352	572
Current (as of Dec. 31, 2023)	300	486

Chart 9

Three-month bond yield (%)



	BB	B
Minimum	5.0	6.9
Maximum	6.7	9.0
Average	6.0	8.2
Current (as of Dec. 31, 2023)	5.0	6.9

Data as of Dec. 31, 2023. Source: S&P Market Intelligence.

- 'B' rated high yield spreads closed the year at their tightest level, nearly 200 basis points lower than the 2023 peak. 'BB' rated spreads have shown a similar pattern, with a decline of about 160 basis points. This drop is likely to make refinancing cost more attractive for issuers, encouraging them to tackle the 2025-2026 maturity wall. End-of-year yields were 6.9% and 5.0% for 'B' and 'BB' rated issues, respectively, which was the lowest level for 2023.

CLOs

Table 2

Top 10 obligors held in Europe

Rank	Obligor	Rating and CreditWatch/outlook	GIC code
1	Liberty Global PLC	BB-/Stable	Diversified telecommunication services
2	Altice Europe N.V.	B-/Stable	Diversified telecommunication services
3	Ineos Ltd.	BB/Negative	Chemicals
4	Lorca Telecom Bidco S.A.U.	B/Watch Pos	Capital markets
5	Verisure Midholding SD	B+/Stable	Diversified telecommunication services
6	Nidda German Topco GmbH	B/Stable	Pharmaceuticals
7	Chrome HoldCo SAS	B-/Stable	Health care providers and services
8	Peer Holding III B.V.	BB/Stable	Multiline retail
9	Laboratoire Eimer SELAS	B-/Stable	Food and staples retailing
10	Sigma HoldCo EV	B/Stable	Food products

Note: Ratings and CreditWatch/outlooks as of Dec. 31, 2023. Source: S&P Global Ratings.

Sources

- [Corporate Defaults Jumped 80% In 2023 To 153](#), Jan. 16, 2024
- [Ratings Performance Insights: 2023 In Review](#), Jan. 12, 2024
- [Why European Leveraged Loan Borrowers Like The “Snooze Drag”](#), Nov. 27, 2023
- [Elevated Interest Rates Could Push The European Speculative-Grade Corporate Default Rate To 3.75% By September 2024](#), Nov. 17, 2023
- [European Secured Debt Recovery Expectations Q3 2023 Update: Recovery Prospects Stable As Issuance Slows](#), Nov. 16, 2023

Related Research

- [How We Treat Non-Common Equity When Rating Companies](#), Nov. 2, 2023
- [Europe's Risky Credits: Liquidity And Refinancing Risks Start To Bite](#), Nov. 1, 2023
- [How Private Credit's European Expansion Brings Rewards And Risks](#), Nov. 9, 2023
- [Distressed Exchanges Drive 2023 Global Corporate Defaults To 118](#), Oct. 20, 2023
- [Resilience Under Pressure Amid Tighter Financial Conditions](#), Sept. 26, 2023
- [CLO Pulse Q2 2023: 'The Snooze Drag' Takes Hold In Europe](#), Sep. 2, 2023
- [A Rise In Selective Defaults Presents A Slippery Slope](#), June 26, 2023
- [European Corporate Recoveries 2003-2022: Recoveries Stable Despite Few Defaults](#), July 5, 2023
- [European Secured Debt Recovery Expectations Second-Half 2022 Update: Downgrades Drive Rising 'B-' Debt](#), Jan. 30, 2023

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