

This report does not constitute a rating action.

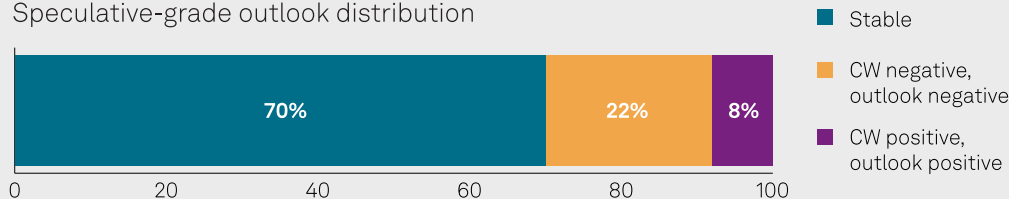
U.S. And Canada Summary Report

June 13, 2024

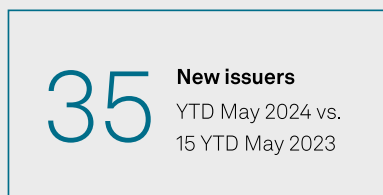
The May Snapshot

About 60% of speculative-grade companies (by issuer count) that we rate are at 'B' or below

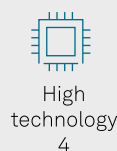
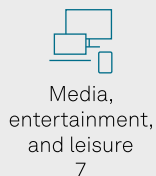
Speculative-grade outlook distribution



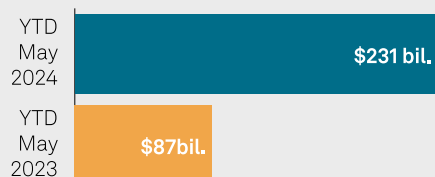
Twelve new speculative-grade issuers in May



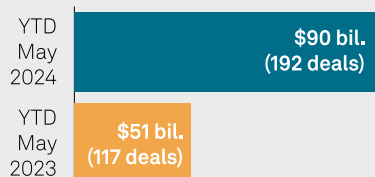
Top three sectors



Strong pace of issuance in the U.S. primary leveraged loan market with the highest May total since 2018



May 2024 was one of the busiest months in U.S. CLO primary market history



Note: The data above is year-to-date (YTD) except for the outlook distribution. CW--CreditWatch. CLO--Collateralized loan obligations. The 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 used in this report, click [here](#).

Key Insights

1. During the month of May, rating actions among corporate speculative-grade issuers returned to their prior trend of downgrades outpacing upgrades, with a total of 33 downgrades and 24 upgrades. The media, entertainment, and leisure sector experienced the most downgrades followed by the telecommunications sector. The number of issuers downgraded into the 'CCC+' and lower rating category continued to outpace the number of issuers upgraded out of the category (see chart 2).
2. The preliminary trailing 12-month speculative-grade corporate default rate remained elevated above its long-term average of 4.1% at 4.9% as of April 2024. We expect the U.S. trailing-12-month speculative-grade corporate default rate to fall slightly to 4.5% by March 2025 (see chart 7).¹
3. In April, the positive bias among speculative-grade issuers decreased slightly to 8% from 9% the previous month. The proportion of speculative-grade issuers with stable outlooks increased to 70% from 69% while the negative bias remained unchanged.

PODCASTS

[The Upgrade Episode 33: Testing Private Debt's Resilience Through The Credit Estimate Lens](#), Mar. 22, 2024

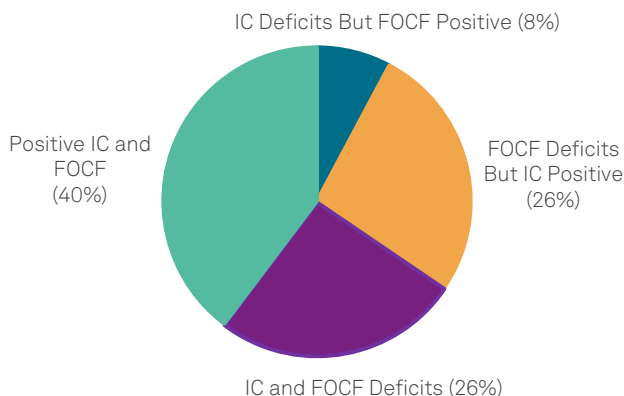
[The Upgrade Episode 32: Creative Structuring Helps Trinseo PLC](#), Nov. 10, 2023

[The Upgrade Episode 31: Unlocking The Big Deal - Worldpay's 'BB' Credit Rating Explained](#), Sept. 15, 2023

Monthly Highlight

'B-' issuer GAAP reported cash

As of 2023 Q4*



*Financials are last available (2023Q3 or 2023Q4). Interest coverage (IC) deficits is reported EBITDA interest coverage of less than 1x. Reported Free Operating Cash Flow (FOCF) is cash from operations less capex. Source: S&P Global Ratings.

U.S. Leveraged Finance Q1 2024 Update: For Most 'B-' Rated Issuers, Solid Businesses Have Shaky Finances

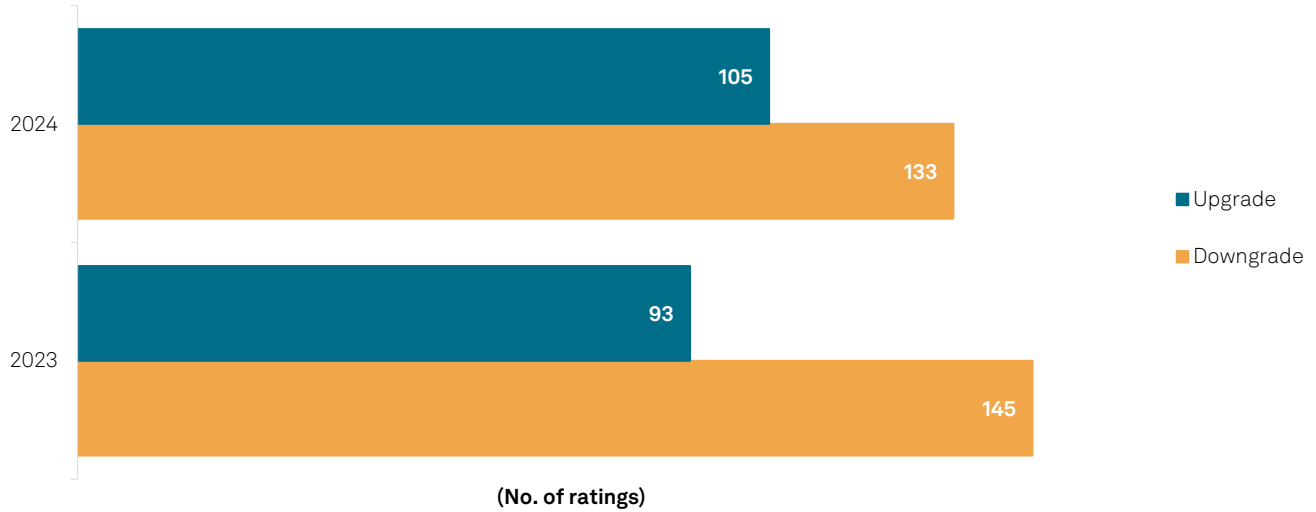
[Read The Full Report >](#)

In the current elevated interest rate cycle, 'B-' issuers, often with a high proportion of unhedged floating rate debt in their capital structures, face significant challenges in generating cash despite solid earnings performance. As of year-end 2023, 40% of 'B-' issuers reported both positive EBITDA interest coverage and FOCF generation, and the percentage of 'B-' issuers with reported EBITDA interest coverage below 1x jumped to about 34% from 22% at the start of 2023. Persistent interest coverage deficits typically indicate that a capital structure is unsustainable. With the improvement in financing conditions, over 90% of 'B-' issuers have adequate liquidity over the next six to 12 months to support cash flow shortfalls; however, available liquidity can quickly evaporate in times of market stress.

YTD 2024 & 2023 Speculative-Grade Rating Actions

Chart 1

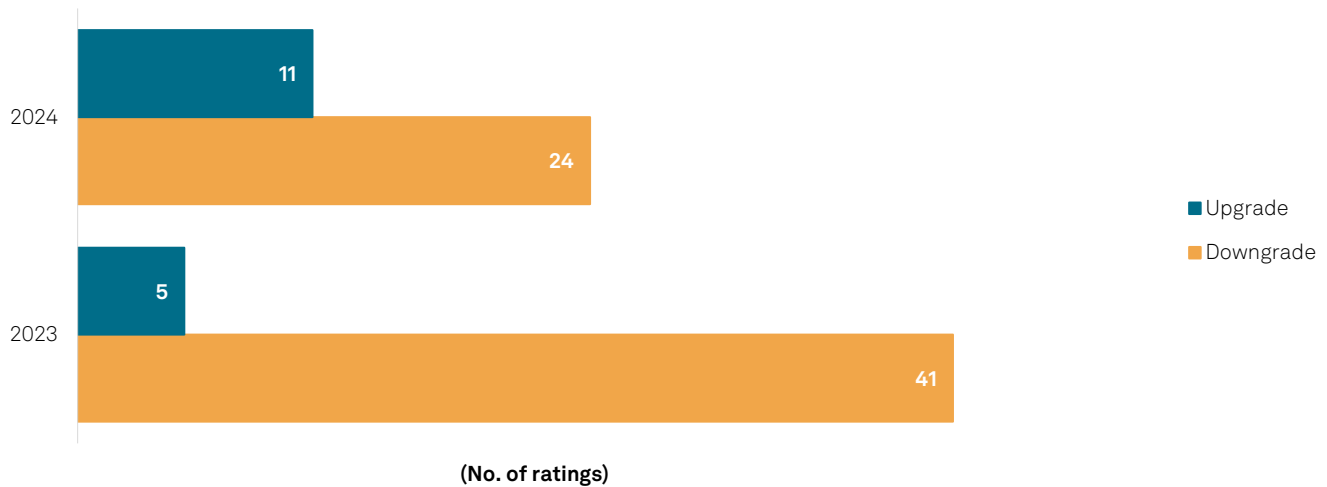
Upgrades and downgrades



Note: Data represents only rating actions for U.S. and Canada corporate ratings as of the end of May 2024 and 2023. For the month of May 2024, the downgrade-to-upgrade ratio for the US and Canada was 1.38. Source: S&P Global Ratings.

Chart 2

Ratings coming into/out of 'CCC' categories

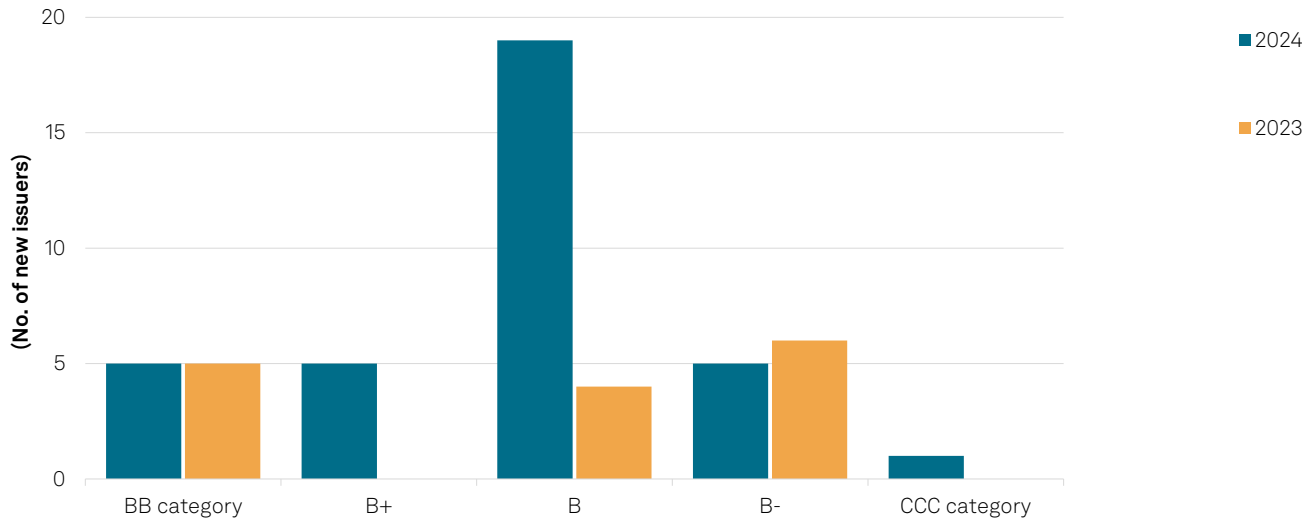


Note: Data represents only rating actions for U.S. and Canada corporate ratings as of the end of May 2024 and 2023. Source: S&P Global Ratings.

YTD 2024 & 2023 Speculative-Grade New Issuers

Chart 3

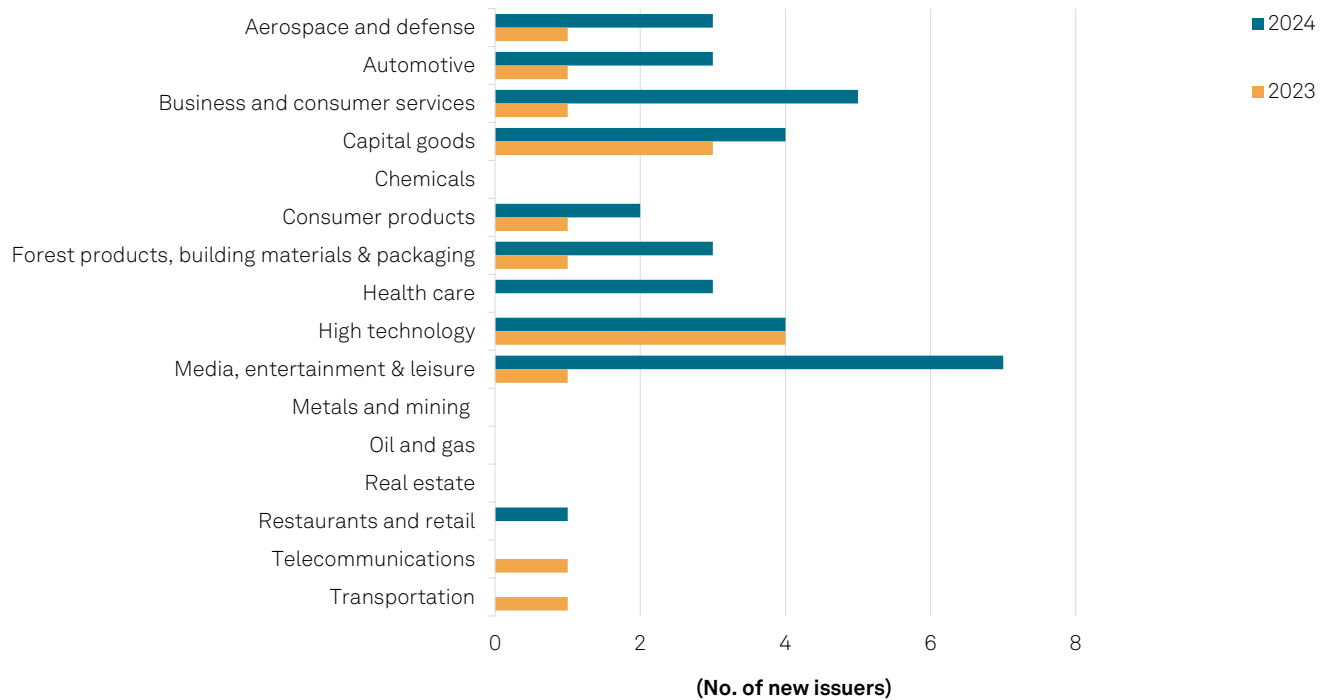
New issuers by rating



Note: Data represents new issuers as of end of May 2024 and 2023. Includes U.S. and Canada corporate ratings and excludes confidential issuers. Source: S&P Global Ratings.

Chart 4

New issuers by industry group



Note: Data represents new issuers as of end of May 2024 and 2023. Includes U.S. and Canada corporate ratings and excludes confidential issuers. Source: S&P Global Ratings.

Defaults as of YTD Apr. 30, 2024

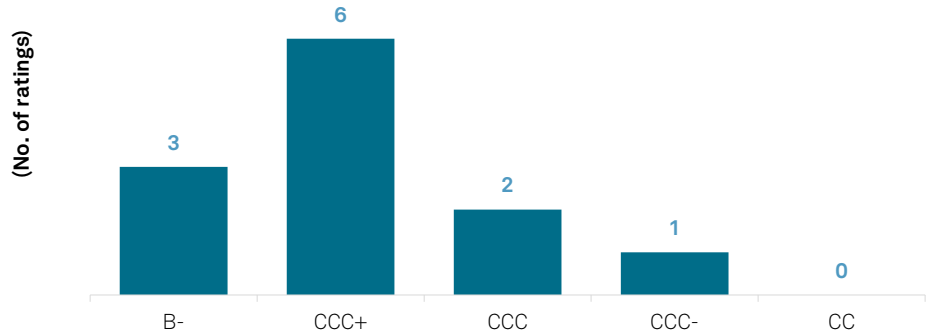
Chart 5

Downgrade to 'SD'/'D'



Chart 6

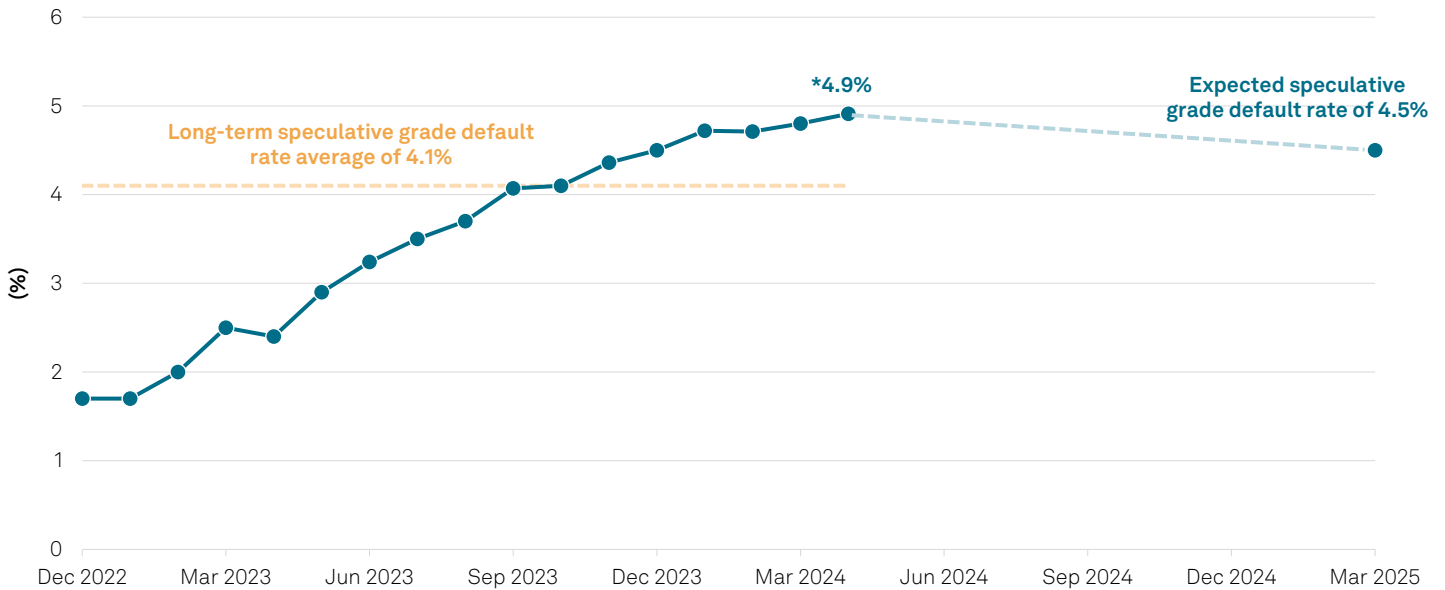
Ratings raised after selective default ('SD'—12 raised)



Note: Data as of YTD Apr. 30, 2024. Includes U.S. (including Bermuda and Cayman Islands in chart 5) and Canada corporate defaults. SD--Selective default. Source: S&P Global Ratings. For more information on U.S. and Canada defaults, refer to our monthly publication, [Monthly Default Tally Reached Four-Year High In April](#), published May 13, 2024. We also publish a newsletter, [This Week In Credit](#), which lists our weekly rating actions and defaults.

Chart 7

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

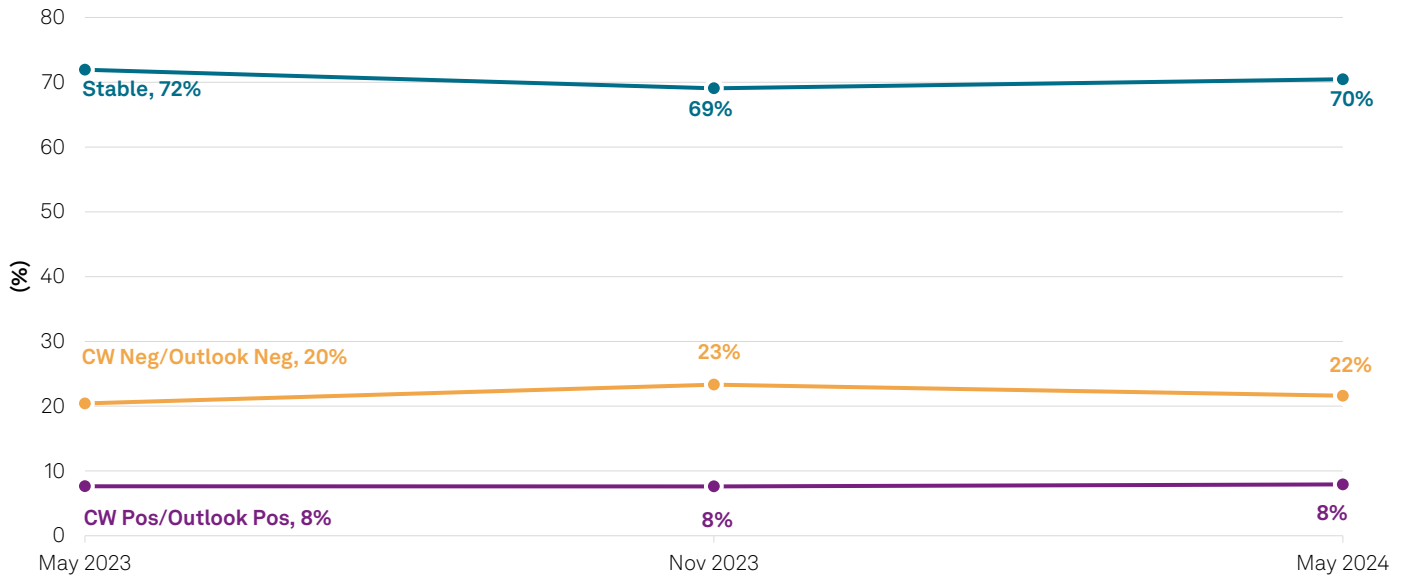


Note: *Trailing-12-month speculative-grade default rates from Apr. 30, 2023 - Apr. 30, 2024, are preliminary and subject to change. The long-term average dates back to Dec. 1981. Source: S&P Global Ratings, [Monthly Default Tally Reached Four-Year High In April](#), published May 13, 2024.

Speculative-Grade Rating Outlook Mix

Chart 8

May 2023/2024 speculative-grade CreditWatch/outlook distribution

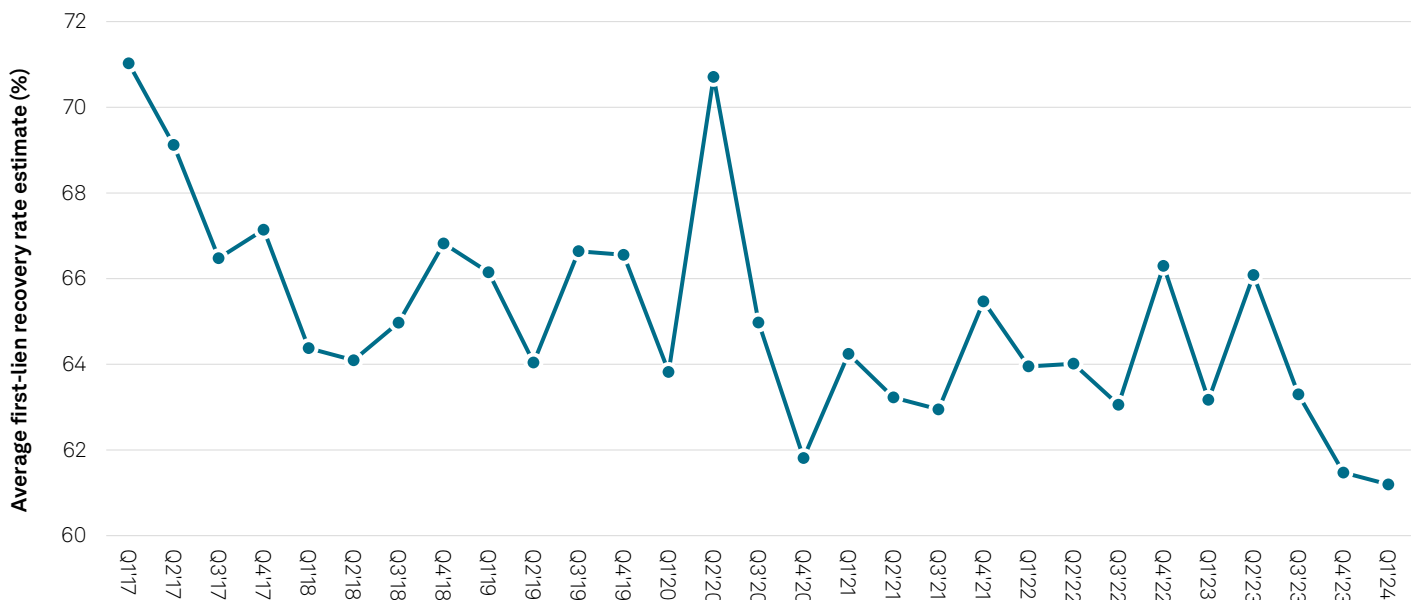


Note: Data from May 31, 2023, to May 31, 2024. CreditWatch/outlook distribution includes all speculative-grade U.S. and Canada corporate ratings. Does not include investment-grade issuers. Source: S&P Global Ratings.

Recovery Ratings

Chart 9

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 (first-quarter 2024)

Rank	Parent obligor	Rating and 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	Ineos Ltd.	BB-/Negative	Chemicals
5	TransDigm Inc.	BB-/Stable	Aerospace and defense
6	Medline Borrower L.P.	B+/Stable	Health care providers and services
7	Peraton Corp.	B-/Negative	Information technology services
8	Altice USA Inc.	CCC+/Negative	Media
9	Endeavor Group Holdings Inc.	BB-/WatchNeg	Entertainment
10	Acrisure Holdings Inc.	B/Stable	Insurance

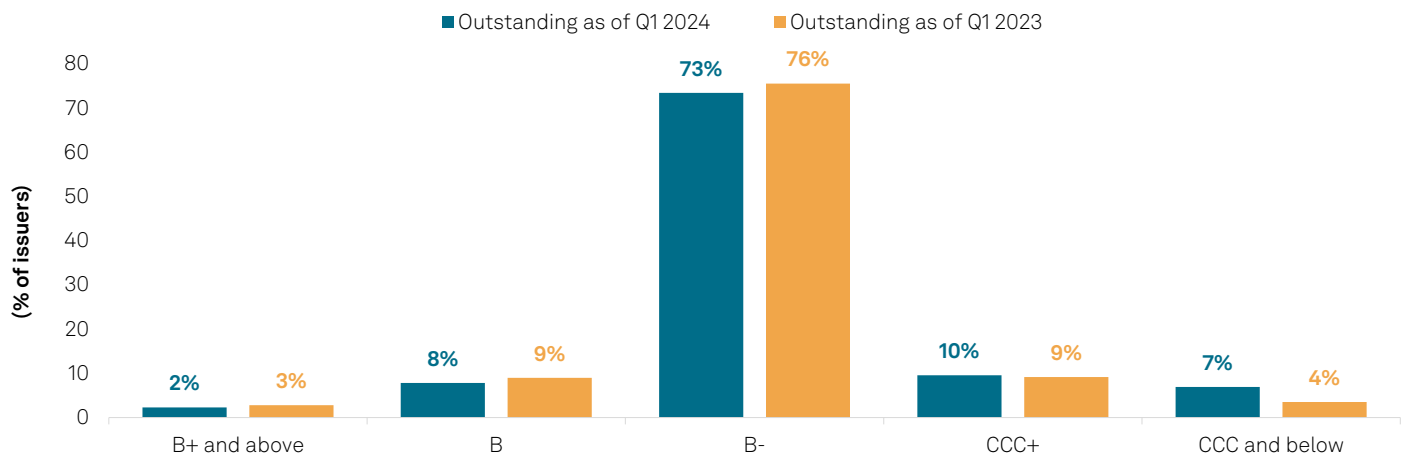
Note: Ratings and CreditWatch/outlooks as of June 11, 2024. NR--Not rated.
 Source: S&P Global Ratings. [U.S. BSL CLO Top Obligors And Industries Report: First-Quarter 2024](#), Apr. 11, 2024.

Middle Market CLOs | Credit Estimates

For more information, read the [Credit FAQ on Credit Estimates](#).

Chart 10

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

[¹Resilient Growth, Resilient Yields, And Resilient Defaults To Bring The U.S. Speculative-Grade Corporate Default Rate To 4.5% By March 2025](#), May 16, 2024

Related Research

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- [Public-To-Private Borrowing Is A Two-Way Street](#), May 7, 2024
- [CreditWeek: Why Is EBITDA Addback Analysis Critical For Investors?](#), April 11, 2024
- [Are Prospects For Global Debt Recoveries Bleak?](#), March 14, 2024
- [High Interest Rates And Massive Debt Burdens Will Pressure U.S. Telecom And Cable Speculative-Grade Ratings In 2024](#), Feb. 26, 2024
- [North American Debt Recoveries May Trend Down For Longer](#), Dec. 11, 2023
- [Testing Private Debt's Resilience Through The Credit Estimate Lens](#), Nov. 2, 2023
- [Creative Structuring Helps Trinseo PLC. Comes With Lowered Recovery Prospects And Higher Costs](#), Sept. 19, 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
- [Credit Trends: Risky Credits: North America's 'CCC+' And Below Rated Debt Reaches \\$230 Billion](#), Nov. 23, 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

- [2023 Annual U.S. Corporate Default And Rating Transition Study](#), May 28, 2024
- [U.S. Leveraged Finance Q1 2024 Update](#), May 23, 2024
- [Resilient Growth, Resilient Yields, And Resilient Defaults To Bring The U.S. Speculative-Grade Corporate Default Rate To 4.5% By March 2025](#), May 16, 2024
- [U.S. BSL CLO And Leveraged Finance Update Q2 2024](#), May 9, 2024
- [Credit Trends: Risky Credits: Defaults Drive Drop In North American Risky Credits](#), May 2, 2024
- [Middle-Market CLO And Private Credit Q2 2024](#), April 24, 2024
- [Sixth Annual Study Of EBITDA Addbacks](#), March 27, 2024
- [Global Leveraged Finance Handbook, 2022-2023](#), July 17, 2023

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

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