

U.S. And Canada Summary Report

Sector Intelligence | Leveraged Finance

S&P Global
Ratings

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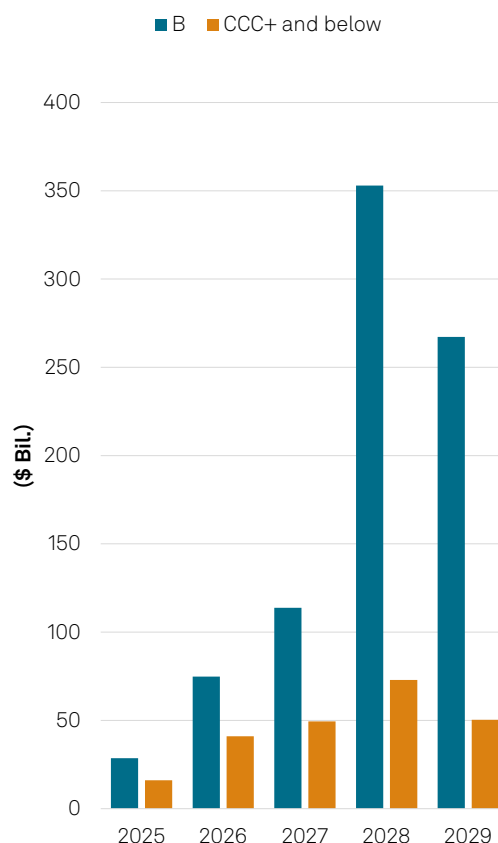
Q1 2025: Credit Quality Holds Amid Rising Uncertainty

April 24, 2025

Quarterly Insights

While the first quarter of 2025 was relatively favorable for corporate credit quality--characterized by a falling pace of defaults, robust financing conditions supporting high levels of new issuance, and an improving upgrade-to-downgrade ratio--momentum has stalled thus far in the second quarter. Rising trade tensions, elevated economic uncertainty, weakening business and consumer sentiment, and heightened market volatility are beginning to erode the previously favorable credit climate. The imposition of increased tariffs could also fuel inflation, dampen economic growth, and pressure credit quality, particularly for import-reliant or globally exposed issuers. Moreover, the debt markets have responded to the perceived increase in risk with higher spreads across all ratings levels. While many upper-speculative-grade issuers will benefit from the previous repricing wave that reduced their interest expense, issuers rated 'B-' and below were generally less capable of capitalizing on this trend. Given their limited financial flexibility to withstand a prolonged downturn, we think lower-rated borrowers are especially at risk.

\$57 billion in 'CCC+' and below debt maturities by 2026



Data as of April 1, 2025. Note: Includes U.S. nonfinancial corporate issuers' bonds and loans rated by S&P Global Ratings. Excludes revolving credit facilities. Source: S&P Global Ratings.

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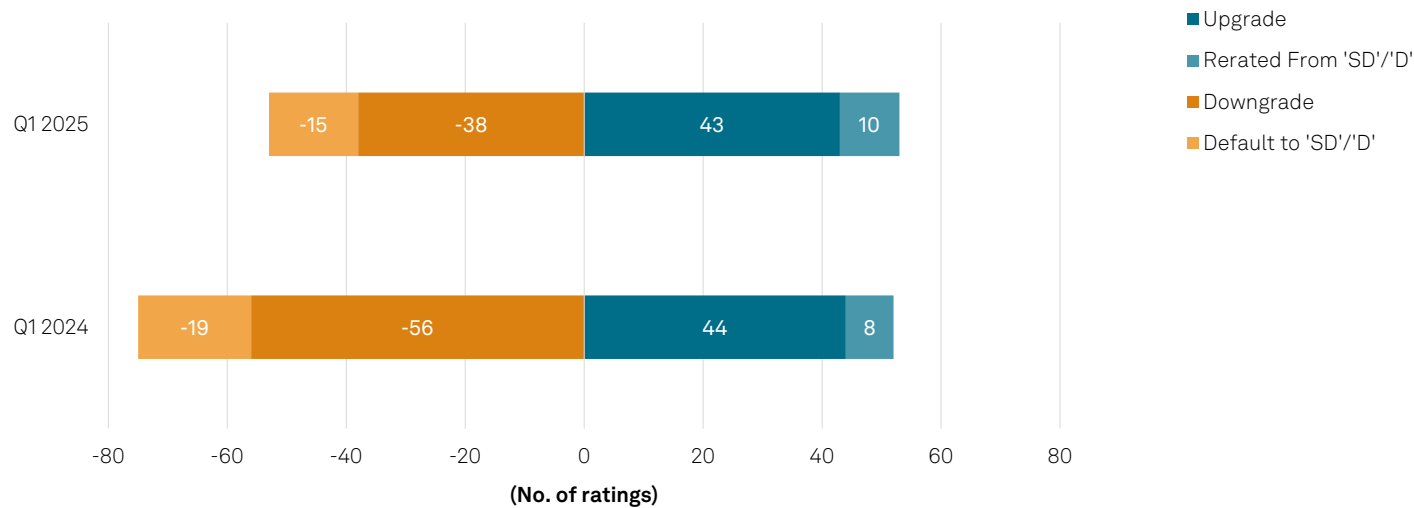
DATA -To see the data used in this report, click [here](#).

Quarterly Insights (continued)

Rating momentum	The downgrade-to-upgrade ratio declined to 1.00 in the first quarter of 2025. The consumer products, building materials, and health care sectors experienced the most upgrades. When excluding rerated entities from 'SD' (selective default)/'D' and defaults to 'SD'/'D', the ratio was 0.88.
Rating outlook	Net outlook bias, indicating potential ratings trends, has improved amid a decrease in negative CreditWatches/outlooks (to 19% from 21%) and an increase in stable outlooks (to 73% from 71%; see chart 8). However, the net negative bias remains significantly worse for credits rated 'B-' and below. We believe the net outlook bias has likely reached a near-term peak.
New issuers	There were 38 new speculative grade issuers in the first quarter of 2025, compared with 17 in the first quarter of 2024, with March accounting for approximately half of this year's tally. However, the number of new issuers so far in April (as of April 22) stands at only five.
Defaults in Q1	The pace of defaults slowed in the first quarter of 2025 relative to the first quarter of 2024. The number of defaults declined to 17 from 23 in the U.S. and Canada. This aligns with our expectation that the U.S. speculative-grade default rate will fall to 3.5% by December 2025. Under our pessimistic scenario, the default rate could rise to 6.0%. Additionally, the number of entities rated in the 'CCC' category increased by about 14% compared with the first quarter of 2024.
Private credit	There was a slightly positive shift in CE score distribution with less concentration in the 'ccc+' and below category, falling to 15% in the first quarter of 2025 from 17% in the first quarter of 2024 (see chart 12).
Notable rating action	We saw notable downgrades among large U.S. BSL CLO software obligors, including Polaris Parent LLC and Ivanti Software Inc., which were downgraded to 'CCC+' from 'B-', and Cast & Crew LLC, which was downgraded to 'B-' from 'B'.
Notable LMT (if any)	Physician Partners LLC (d/b/a Better Health) executed a priming loan restructuring by issuing new money term loans to pay accrued interest and transaction fees and add cash to its balance sheet.

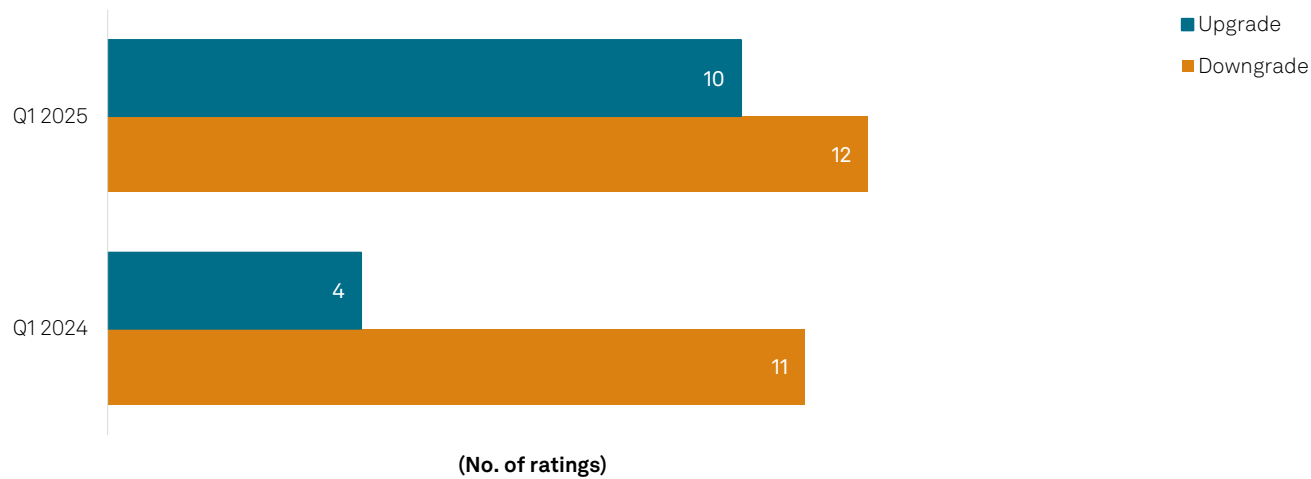
Q1 2025 & 2024 Speculative-Grade Rating Actions

Chart 1
Upgrades and **downgrades**



Note: Data represents only rating actions for U.S. and Canada corporate ratings as of quarter-to-date March 2025 and 2024. When excluding re-rated entities from 'SD'/'D' and defaults to 'SD'/'D', the downgrade-to-upgrade ratio for Q1 2025 was 0.88. Source: S&P Global Ratings.

Chart 2
Ratings coming into/out of **'CCC'/'CC'** categories.

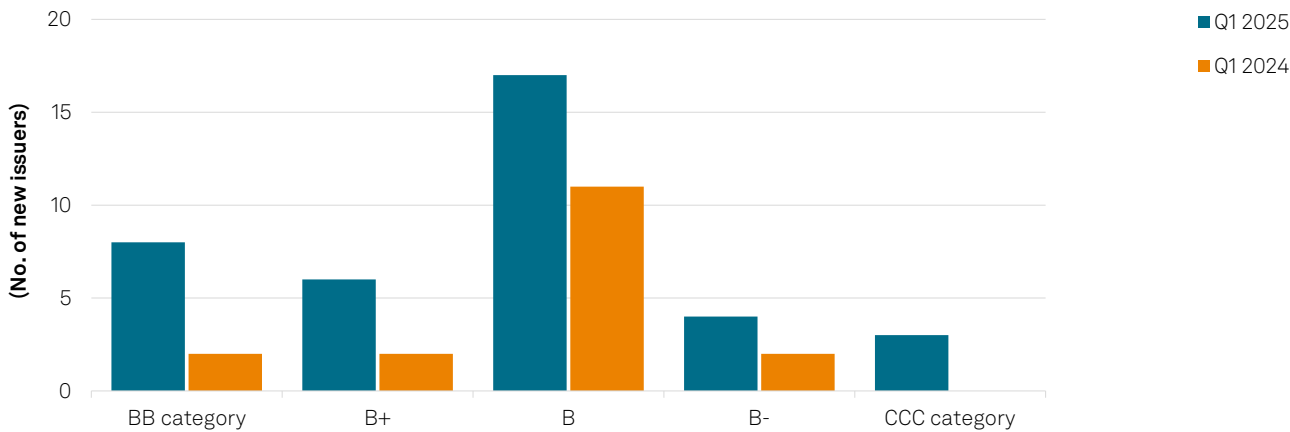


Note: Data represents upgrades from 'CCC'/'CC' categories into 'B-' or higher, and downgrades reflect rating actions from 'B-' or higher into 'CCC'/'CC' categories. This data only includes U.S. and Canada corporate ratings as of quarter-to-date March 2025 and 2024. Source: S&P Global Ratings.

Q1 2025 & 2024 Speculative-Grade New Issuers

Chart 3

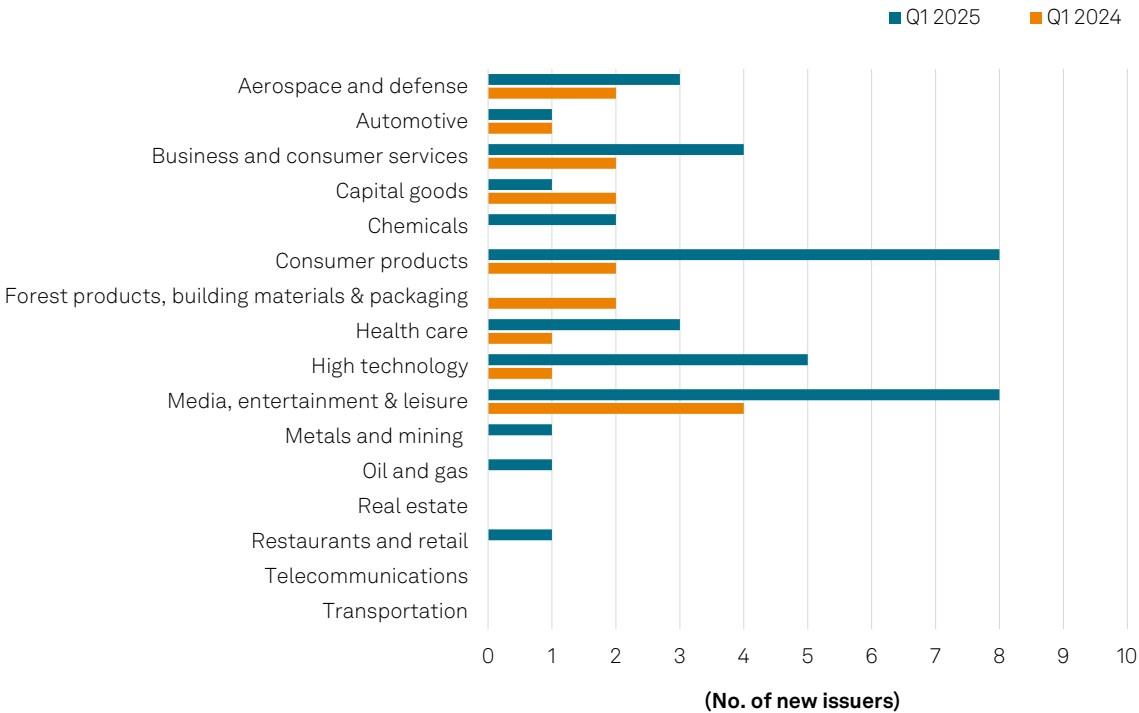
New issuers by rating



Note: The data represents new issuers as of the quarter-to-date March 2025 and 2024. Includes U.S. and Canada corporate ratings and excludes confidential issuers. Source: S&P Global Ratings.

Chart 4

New issuers by quarter



Note: The data represents new issuers as of the quarter-to-date March 2025 and 2024. Includes U.S. and Canada corporate ratings and excludes confidential issuers. Source: S&P Global Ratings.

Defaults as of Q1 2025

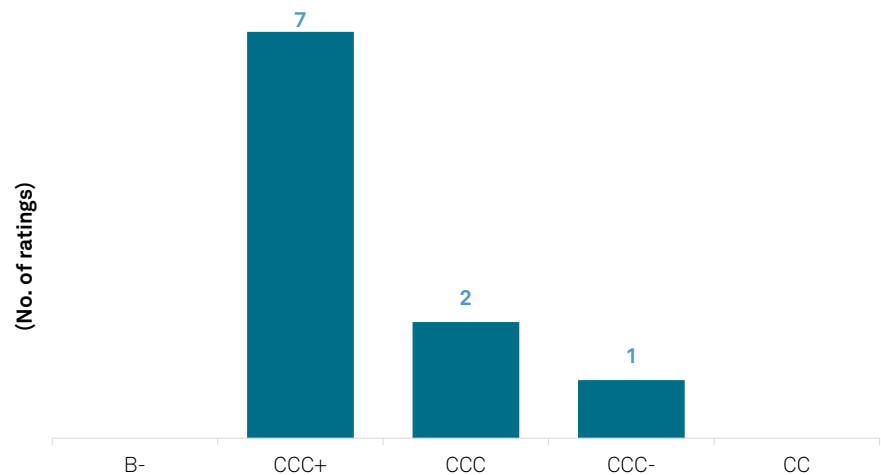
Chart 5

Downgrade to 'SD'/'D'



Chart 6

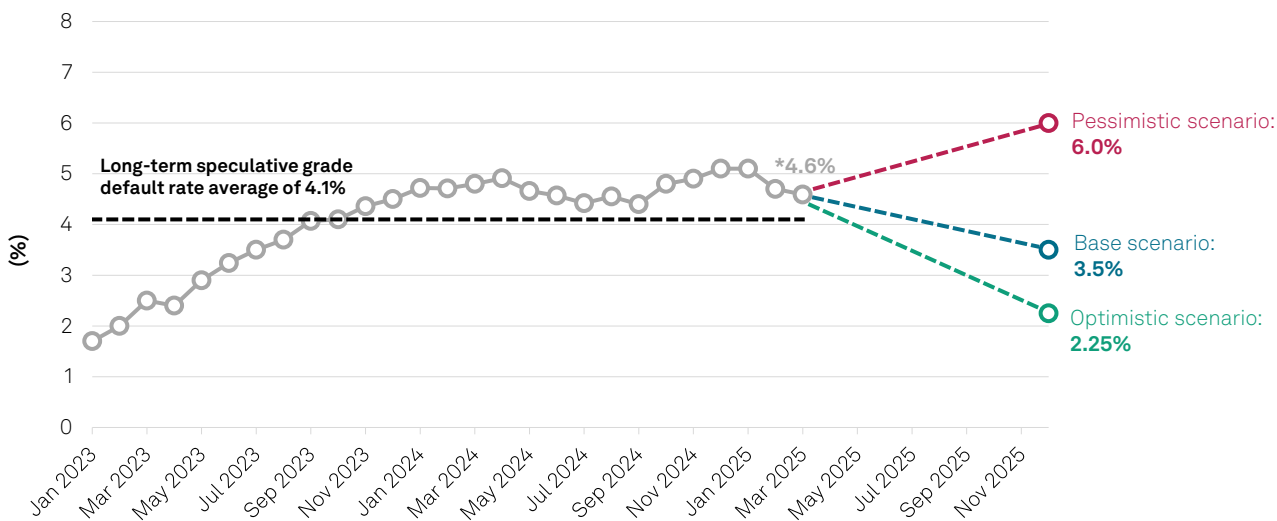
Distribution of rerated issuers from selective default or default



Note: Data as of March 31, 2025. Includes U.S. (including Bermuda and Cayman Islands in chart 5) and Canada corporate defaults. SD--Selective default. Source: S&P Global Ratings.

Chart 7

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

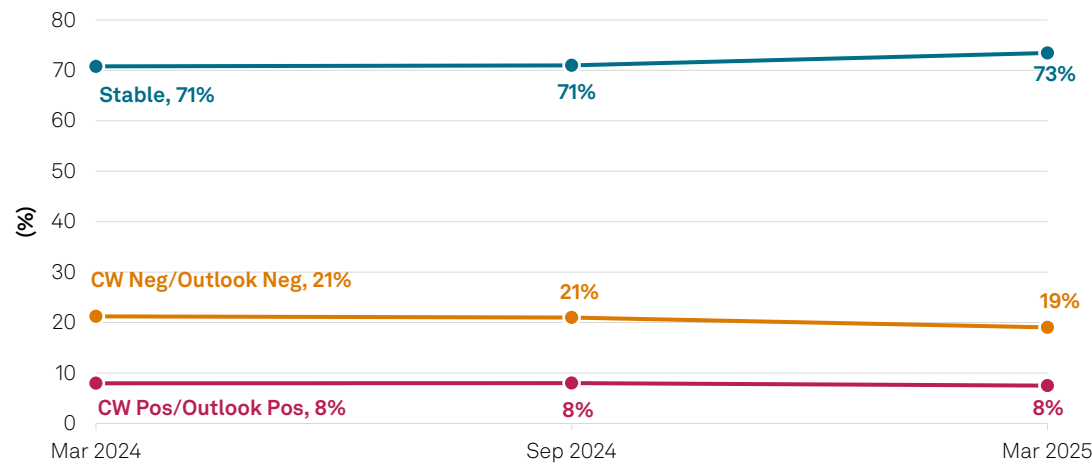


Note: *Trailing-12-month speculative grade default rates from March 31, 2024-March 31, 2025, are preliminary and subject to change. The long-term average dates to December 1981. Source: S&P Global Ratings. For more information on U.S. and Canada defaults, refer to our monthly publication, [Trade Tensions Could Reverse Decline In Corporate Defaults](#), published April 16, 2025.

Speculative-Grade Rating And Outlook Mix

Chart 8

Speculative-grade CreditWatch/outlook distribution

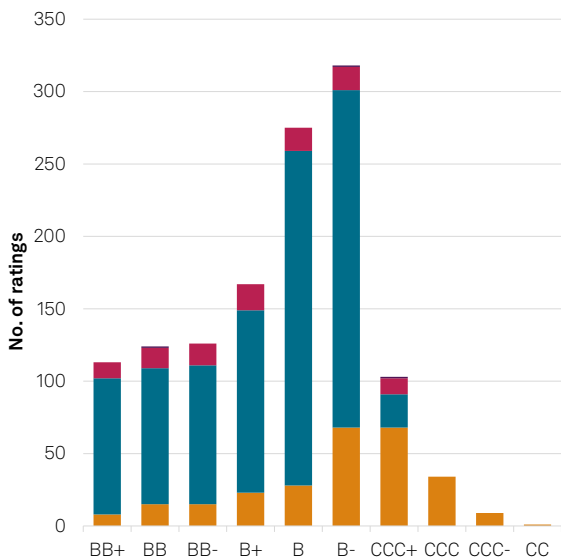


Note: Data from March 31, 2024, and March 31, 2025. CreditWatch/outlook distribution includes all speculative-grade U.S. and Canada corporate ratings. Does not include investment-grade issuers. Source: S&P Global Ratings.

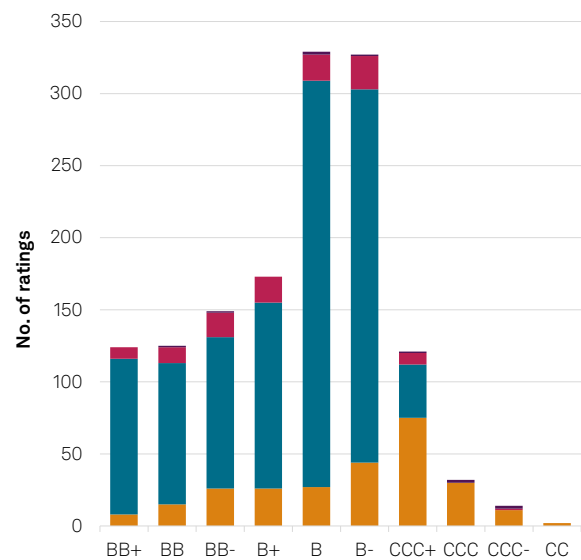
Chart 9

Speculative-grade ratings distribution

Q1 2024



Q1 2025

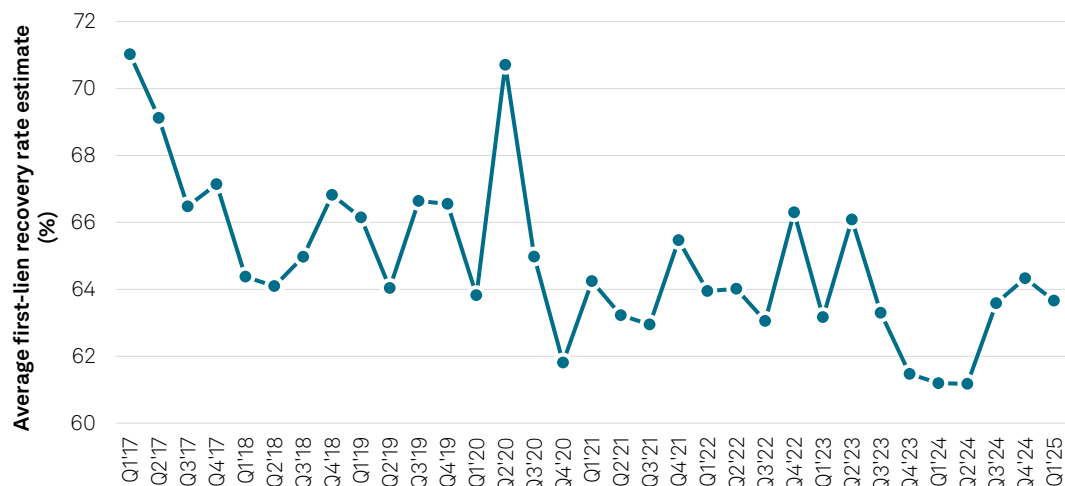


Note: Data as of March 31, 2024, and 2025. This only includes active issuers; issuers who were once rated and withdrawn over time are not included in these distributions. Includes U.S. and Canada corporate ratings. Source: S&P Global Ratings.

Recovery Ratings

Chart 10

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



Source: S&P Global Ratings.

CLOs

Table 1

Top 10 parent obligors held in U.S. BSL CLOs (first-quarter 2025)

Rank	Parent obligor	Rating and CW/outlook	GIC code
1	Asurion Group Inc.	B+/Stable	Information technology services
2	TransDigm Inc.	BB-/Stable	Aerospace and defense
3	Medline Borrower L.P.	BB-/Watch Pos	Health care providers and services
4	Peraton Corp.	B-/Stable	Information technology services
5	Liberty Global Ltd.	BB-/Stable	Diversified telecommunication services
6	Balboa Intermediate Holdings LLC	NR	Information technology services
7	Caesars Entertainment Inc.	B+/Stable	Hotels, restaurants, and leisure
8	Acrisure Holdings Inc.	B/Stable	Insurance
9	Atlas Ontario LP	B/Stable	Commercial services and supplies
10	Quikrete Holdings Inc.	BB/Negative	Construction materials

Note: Ratings and CreditWatch/outlooks as of April 22, 2025. NR--Not rated.

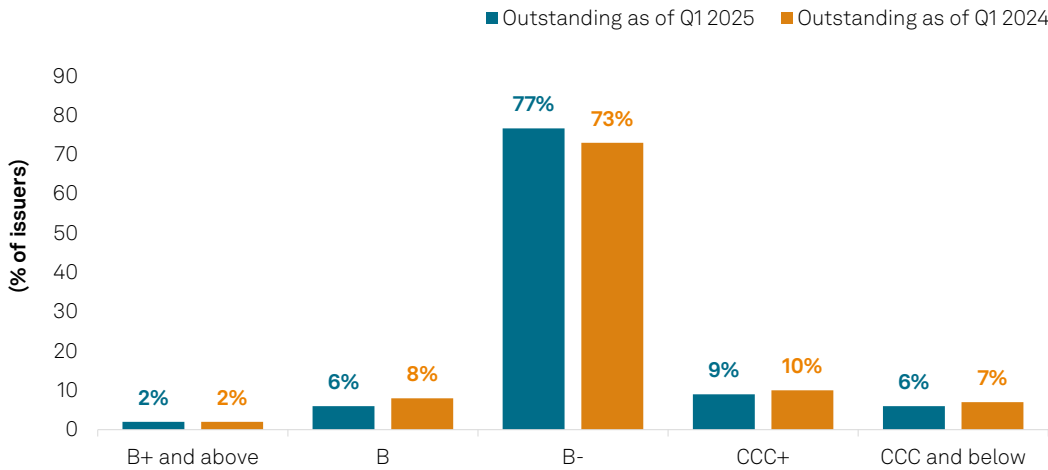
Source: S&P Global Ratings. [U.S. BSL CLO Top Obligators And Industries Report: First-Quarter 2025](#), April 10, 2025.

Middle Market CLOs | Credit Estimates

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

Chart 11

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.

Related Research

- [Loose Maintenance Covenants Permeate Private Credit](#), April 23, 2025
- [EBITDA Addback Levels Remain High Despite Some Easing](#), April 17, 2025
- [Scenario Analysis: Stress Tests Reveal Likely Cracks In Credit Profiles Of 'B-' Rated North American Corporate Issuers](#), April 17, 2025
- [Debt Restructuring Snapshot: Empire Today](#), April 4, 2025
- [Debt Restructuring Snapshot: KNS Holdco LLC](#), March 31, 2025
- [Debt Restructuring Snapshot: OT Merger Corp. \(dba Oregon Tool\)](#), March 26, 2025
- [Debt Restructuring Snapshot: Physician Partners LLC \(dba Better Health\)](#), March 26, 2025
- [CreditWeek: What Challenges Will U.S. Leveraged Finance Face In 2025?](#), Feb. 20, 2025
- [Systemic Risk: Private Credit's Characteristics Can Both Exacerbate And Mitigate Challenges Amid Market Evolution](#), Feb. 18, 2025
- [Debt Restructuring Snapshot: FinThrive Software Intermediate Holdings Inc.](#), Jan. 15, 2025
- [Debt Restructuring Snapshot: Reception Purchaser LLC \(STG Logistics\)](#), Dec. 13, 2024
- [North American Sector Recoveries: Actual 1L Debt Recoveries Trend Down: Significant Drops In Some Sectors](#), Dec. 11, 2024
- [Private Markets: How Will Private Credit Respond To Declining Yields?](#), Dec. 4, 2024
- [Code And Care: Navigating Private Credit Risk In The Software And Health Care Services Industries](#), Nov. 19, 2024
- [Debt Restructuring Snapshot: PECF USS Intermediate Holding III Corp. \(United Site Services Inc.\)](#), Nov. 6, 2024
- [U.S. Leveraged Finance Q3 2024 Update: Sponsor-Backed Companies Experiencing Highlights And Lowlights](#), Oct. 30, 2024
- [Demystifying Loan Liability Management Transactions And Their Impact On First-Lien Lenders](#), Oct. 30, 2024
- [Distressed Exchanges Underpin Rise In North American Selective Defaults](#), Oct. 28, 2024
- [Debt Restructuring Snapshot: Del Monte Foods Inc.](#), Oct. 8, 2024
- [Debt Restructuring Snapshot: Magenta Buyer LLC \(dba Trellex And Skyhigh Security\)](#), Oct. 2, 2024
- [Leveraged Finance: Documentation, Flexible Structuring Continue To Reign In Private Credit](#), Sept. 17, 2024
- [U.S. Leveraged Finance Q2 2024: Credit Trends Generally Positive, But First-Lien Recovery Prospects Still Under Pressure](#), Aug. 7, 2024
- [Private Markets Monthly, June 2024: How Aggressive Out-Of-Court Loan Restructurings Threaten Institutional First-Lien Recovery Prospects](#), July 3, 2024
- [Are Prospects For Global Debt Recoveries Bleak?](#), March 14, 2024
- [PIK Refinancing: A Little Room To Breathe, Or One Step Closer To The Edge?](#), Feb. 8, 2024

Leveraged Finance Key Resources

- [Risky Credits: North American Risky Credits Continue Descent Into 2025](#), Feb. 28, 2025
- [The U.S. Speculative-Grade Corporate Default Rate Could Fall To 3.5% By December 2025](#), Feb. 20, 2025
- [U.S. BSL CLO And Leveraged Finance Quarterly Deck: Q1 2025](#), Feb. 13, 2025
- [U.S. Leveraged Finance Q4 2024 Update](#), Jan. 31, 2025
- [Private Credit And Middle-Market CLO Quarterly Deck: Q1 2025](#), Jan 24, 2025
- [Global Leveraged Finance Handbook, 2024](#), Nov. 13, 2024
- [2023 Annual U.S. Corporate Default And Rating Transition Study](#), May 28, 2024
- [Sixth Annual Study Of EBITDA Addbacks](#), March 27, 2024

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