



# Debt Watch Europe

Q1 2022 review



# Corporate Debt Activity

**285**

Total corporate debt deals in Q1 2022

**€216bn**

Total corporate debt raised in Q1 2022

**€194bn**

Raised in Investment Grade deals in Q1 2022

**€22bn**

Raised in High Yield deals in Q1 2022

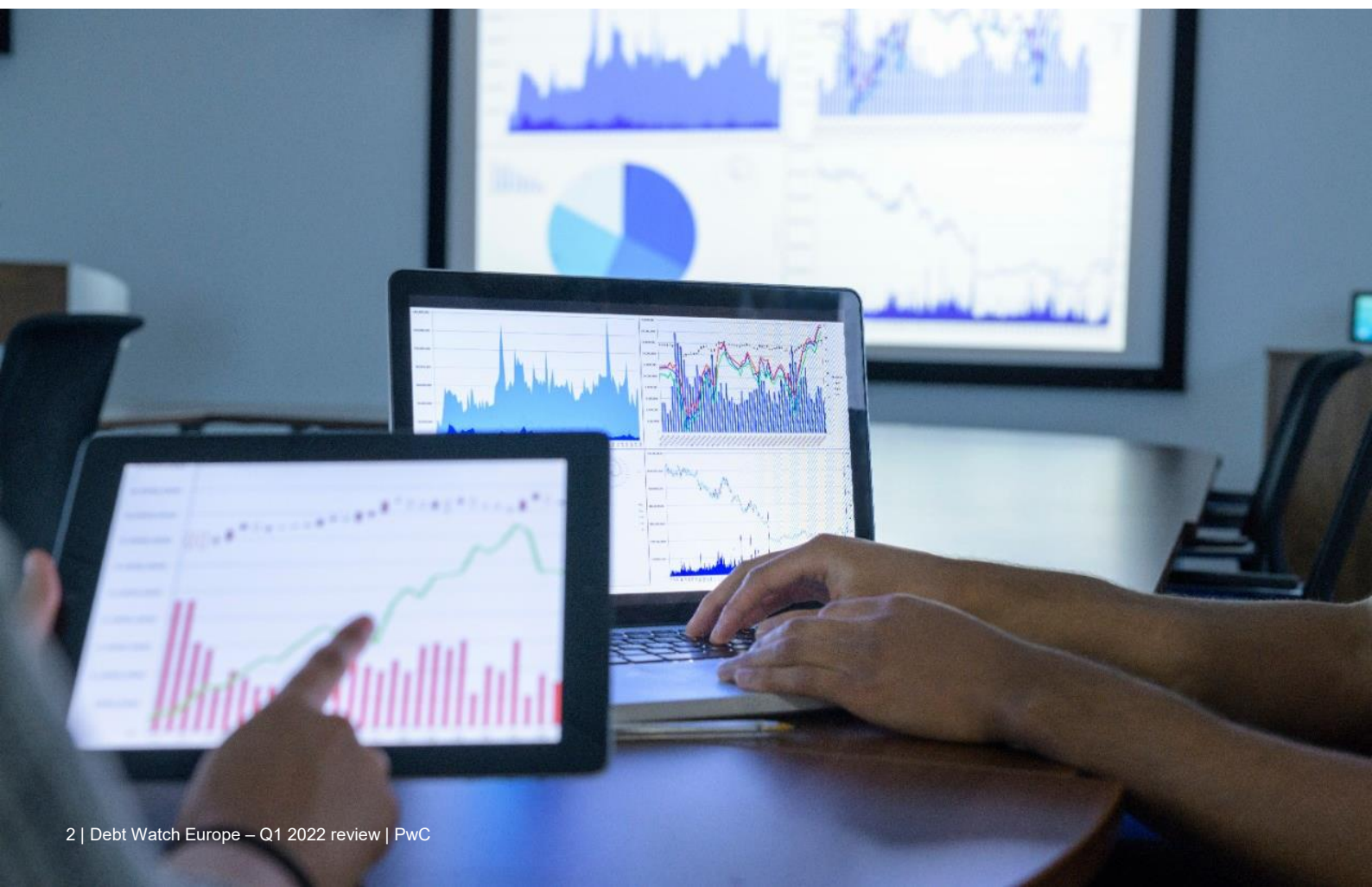
## Overview

Whilst the first quarter of 2022 saw an increase in activity levels in comparison to Q4 2021, Q1 2022 proved to be a volatile quarter for the European corporate bond markets. Q1 2022 began with a flurry of activity: January saw high levels of deal flow as total bond issuance volumes reached c.€94bn compared to c.€89bn for the same period in 2021, as issuers took advantage of lower borrowing costs before anticipated interest rate rises and withdrawals of stimulus packages.

Activity levels dropped significantly in February 2022 with total bond issuance volumes of c.€47bn, half the volumes seen in January 2022. This was due to market volatility and disruption caused to the corporate bond markets as a result of the war in Ukraine and rising inflation. There were only 11 high yield bond issuances in February 2022 raising c.€4.5bn, and all in the first half of the month. In March 2022 corporate bond issuances rebounded with c.€75bn raised (c.€70bn from investment grade deals and c.€5bn from high yield bond issuances) as credit markets stabilised.

Overall in the European corporate bond markets there were 285 deals and c.€216bn raised in Q1 2022; higher than Q4 2021 in terms of number of deals raised during the quarter (257 deals by comparison) and in comparison to the c.€181bn corporate debt raised in Q4 2021. There was a significant shift in the mix of investment grade and high yield bond issuances. Whilst investment grade activity increased by c.€58bn in Q1 2022 compared to Q4 2021, the volume of high yield deals decreased by more than half from c.€45bn in Q4 2021 to c.€22bn in Q1 2022.

Q1 2022 saw a number of interest rate rises by central banks to combat rising inflation increasing the cost of borrowing for issuers. The Bank of England raised interest rates in February by 0.25% to 0.5% and again in March 2022 by 0.25% to 0.75%. The annual rate of inflation in the UK reached a 30-year high in March of 7%. The Federal Reserve approved a 0.25% increase in interest rates in March 2022, the first increase in interest rates since December 2018, as US inflation hit a 40-year high in March rising to 8.5%. As central banks try to curb inflation, due to rising fuel and food prices, issuers are having to pay a premium to issue in this environment. This was reflected by increases in the average yield-to-maturity for all investment grade rated bonds in Q1 2022 compared to Q4 2021.



# Corporate Debt Activity (continued...)

## Investment Grade

The Investment grade market was the main driving force for European bond activity in the quarter. There were 242 deals which raised c.€194bn of debt. This surpassed activity levels from Q4 2021 which saw 179 deals raise c.€136bn when issuers delayed their debt deals due to fears of the COVID-19 Omicron variant, but the effect on activity proved to be less severe than initially expected. In addition, concerns over rising inflation, expected interest rate hikes and the volatility created by the war in Ukraine has led issuers to market to lock in currently more favourable terms. The number of deals in Q1 2022 actually saw a slight decrease compared to Q1 2021, which saw 277 deals, however the volume of debt raised was higher this quarter compared to the c.€189bn in Q1 2021.

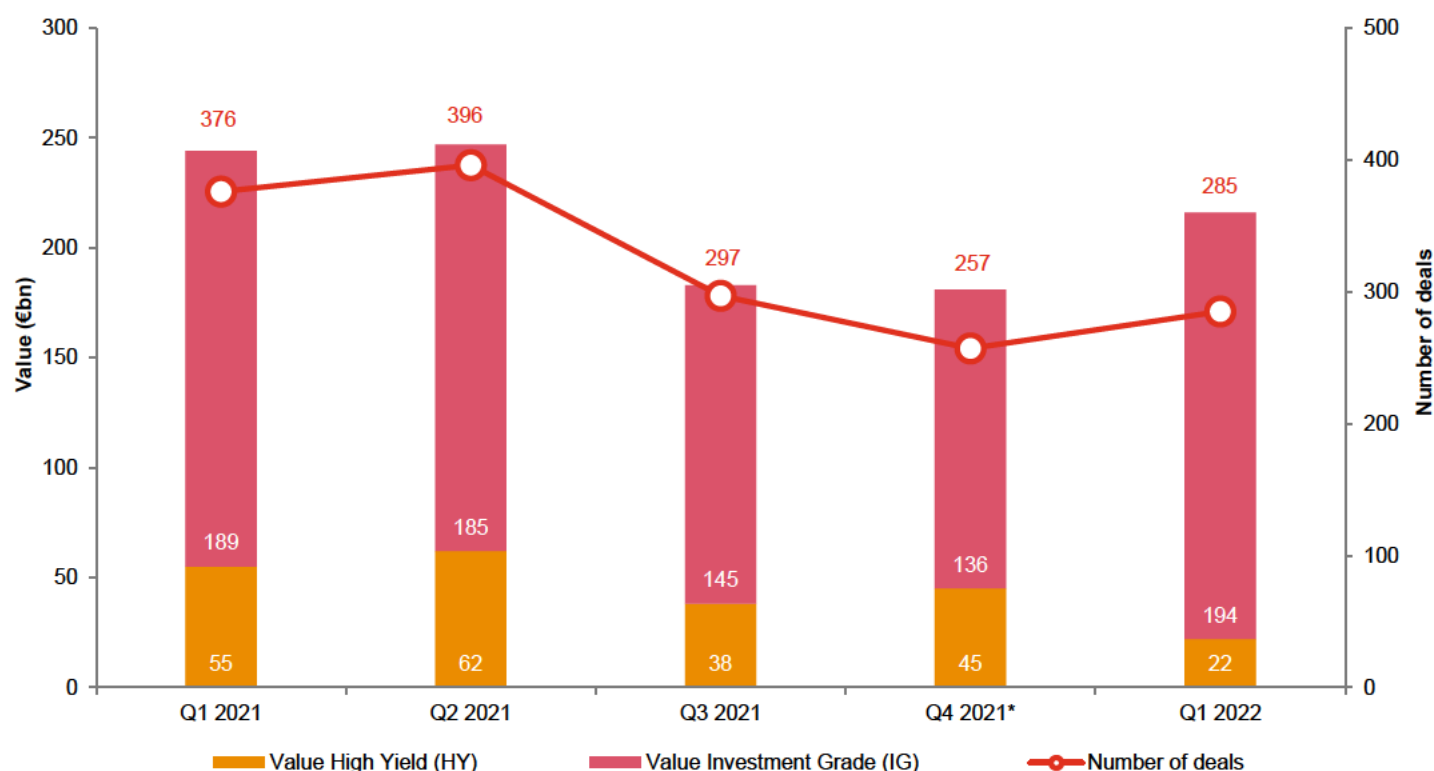
The largest issuance of the quarter saw L'Oreal make its debut in public debt markets, with a triple tranche issuance raising c.€3bn at a credit rating of AA and yield-to-maturity of 0.7%. Sector-wise, financial services showed the highest activity levels in the quarter, accounting for 62% of investment grade activity and proceeds of c.€120bn raised. Four of the ten largest deals in Europe were by financial services companies, with ING Group issuing a two-tranche bond in February with proceeds of c.€3bn.

## High Yield

After a very strong 2021, the high yield bond market recorded its worst quarter in terms of the amount of debt raised since Q4 2018 as investor appetite for riskier investments dwindled. In Q1 2022 there were 43 deals and c.€22bn raised in comparison to 78 deals and c.€45bn raised in Q4 2021 and 99 deals and c.€55bn raised in Q1 2021. The decrease in supply of high yield bonds increased the delta of issuance yield between BB and B rated bonds from an average 1.8% in Q4 2021 to 2.7% in Q1 2022.

The high yield bond market came to a standstill in February 2022 with no issuances subsequent to 10 February for over a month as a result of the war in Ukraine, high levels of inflation and tightening monetary policy. The high yield bond market opened again with an issuance on 16 March 2022, and is expected to stabilise in Q2 2022. The planned half-point hike in interest rates by the Federal Reserve in May and the uncertainty around the war in Ukraine have now been priced into the market by investors. There are also high levels of liquidity due to pent up demand, and the high yield bond market is likely to see a busy period post-Easter prior to December financial statements going stale in mid-May 2022.

Corporate debt activity by quarter



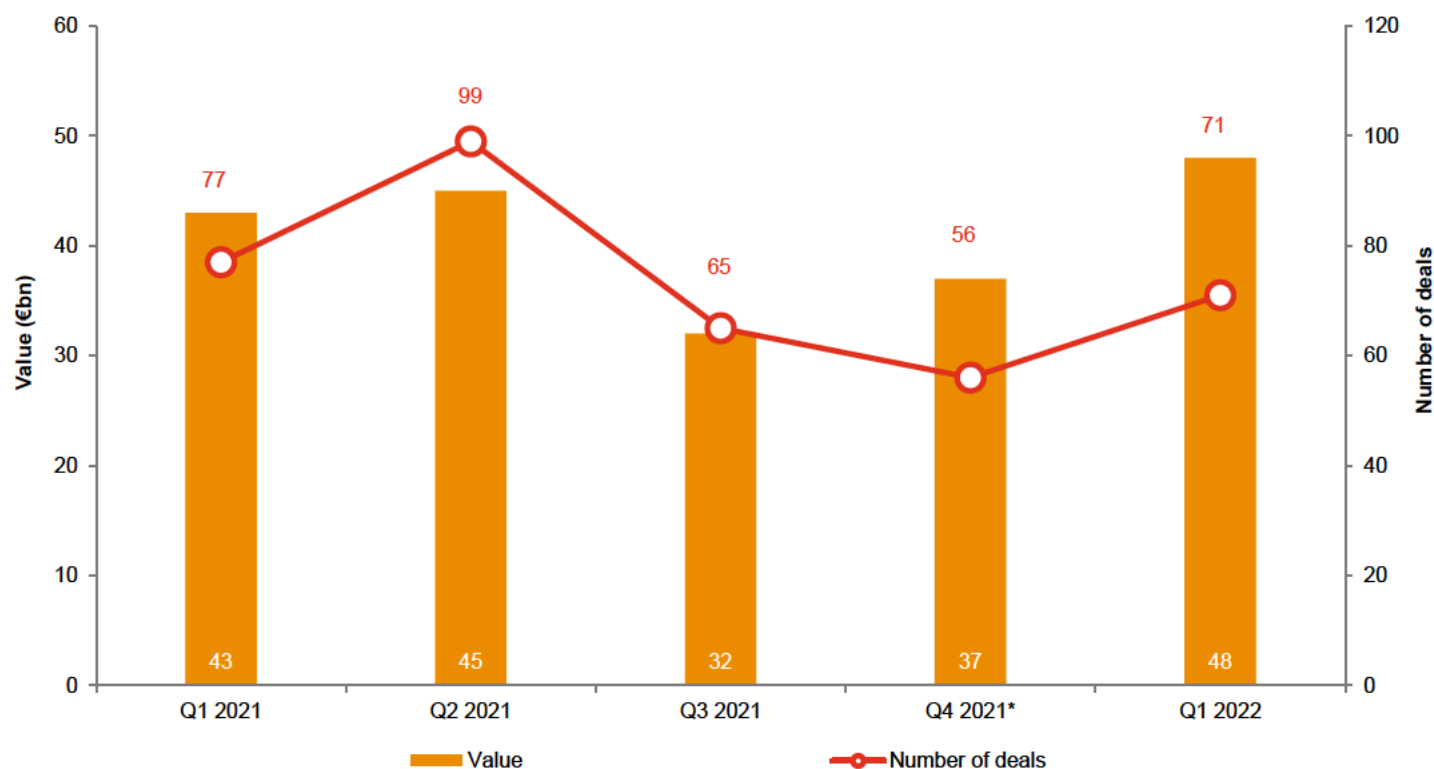
# Corporate Debt Activity (continued...)

## Green/ESG bonds

The European green/ESG bond market saw continued growth with another record quarter, highlighting the clear focus on green/sustainable finance from both investors and issuers. In Q1 2022, there were 71 deals with a green/ESG element and c.€48bn raised compared to 56 deals and c.€37bn raised in Q4 2021. Vonovia SE issued a triple tranche bond in March 2022 worth c.€2.5bn with a green tranche and for the first time two social tranches for rent-controlled and low barrier housing. The issuance was oversubscribed by a multiple of 4.7, highlighting the demand for these bonds.

The rapid growth of the green/ESG bond market continues to cause concern for investors and regulators over 'greenwashing'. The European Securities and Markets Association published its Sustainable Finance Roadmap 2022-2024 in February this year, with tackling greenwashing and promoting transparency as one of its key priorities, which investors will be encouraged to see. There is also likely to be debate amongst regulators and governments whether voluntary standards to issue green bonds are still appropriate or whether the standards should be made mandatory.

Green/ESG bonds activity by quarter\*\*

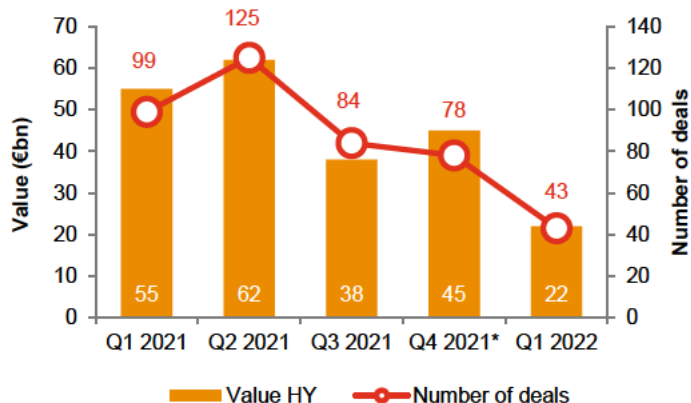


\*\* Green/ESG bonds includes Social, Sustainable and Green bonds

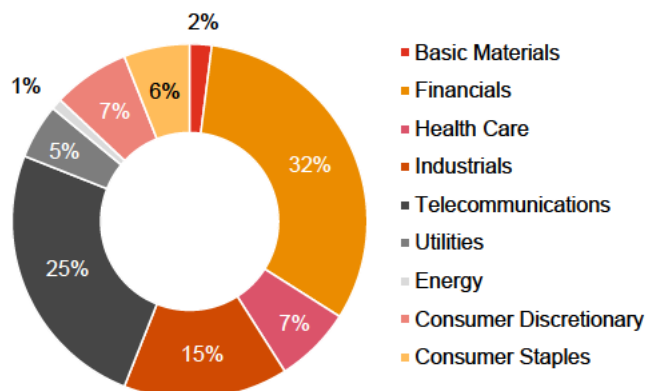
# High Yield

(Rated BB+ (inclusive) and below)

HY activity by quarter



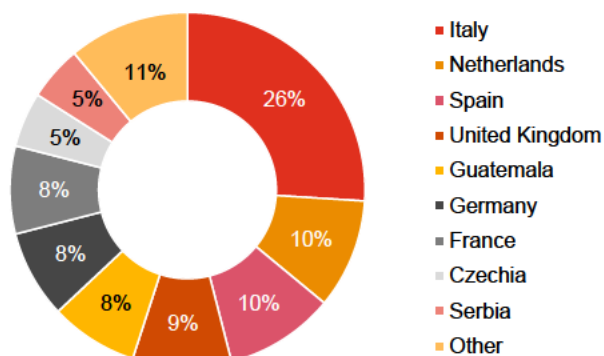
HY by sector Q1 2022



Top ten HY issues Q1 2022

Pricing date	Ten largest HY issues Q1 2022	Value (€m)	Sector	Listing	Nationality of operations	Credit rating (S&P)	YTM (%)
Jan-22	VZ Secured Financing BV	2,085	Telecommunications	TISE-The International Stock Exchange	Netherlands	B+	4.32
Feb-22	Cerved Group SpA	1,395	Financials	Irish Stock Exchange-All Market	Italy	B	6.00
Mar-22	Bayer AG	1,291	Health Care	Luxembourg Stock Exchange	Germany	BB+	4.98
Mar-22	Intesa Sanpaolo SpA	1,000	Financials	Luxembourg Stock Exchange	Italy	BB-	
Jan-22	Autostrade per l'Italia SpA	992	Industrials	Irish Stock Exchange-All Market	Italy	BB	2.05
Mar-22	Cellnex Finance Co SAU	989	Telecommunications	Irish Stock Exchange-All Market	Spain	BB+	2.53
Jan-22	United Group BV	980	Telecommunications	TISE-The International Stock Exchange	Serbia	B	5.25
Jan-22	Central America Bottling Corp	963	Consumer Staples	Euro MTF Luxembourg Stock Exchange	Guatemala	NR	5.38
Feb-22	Promontoria Holding 264 BV	944	Industrials	TISE-The International Stock Exchange	France	B	7.13
Jan-22	Kane Bidco Ltd	839	Financials	TISE-The International Stock Exchange	United Kingdom	B	5.75

HY by issuer operations nationality Q1 2022



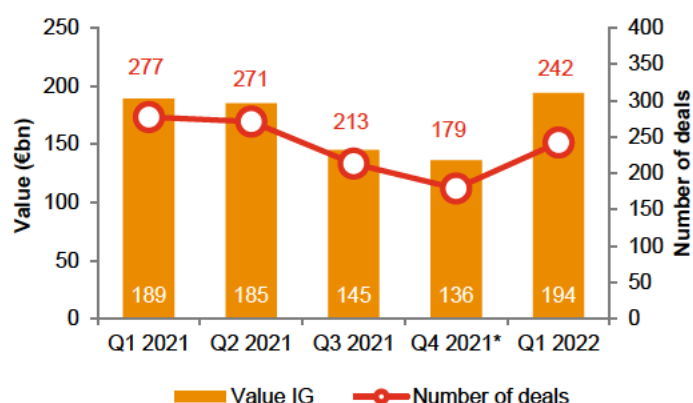
Average yield-to-maturity by issue rating (%)

S&P rating	Q1 2022	Q4 2021	Q1 2021
BB	3.33	3.72	3.35
B	6.00	5.49	5.26
CCC	5.37	5.94	7.29

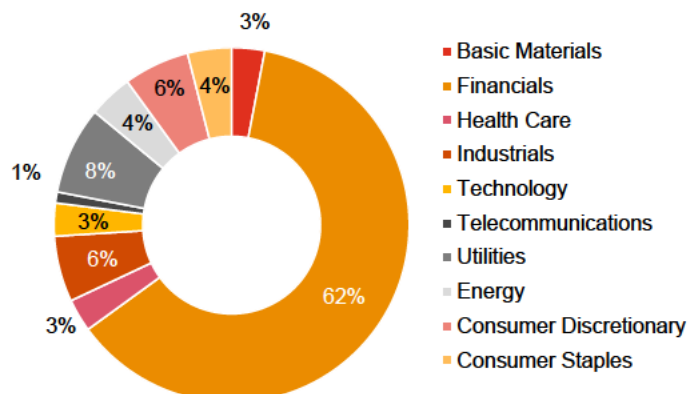
# Investment Grade

(Rated BBB- (inclusive) and above)

IG activity by quarter



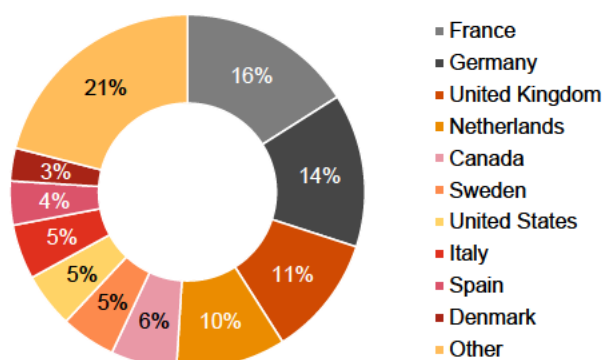
IG by sector Q1 2022



Top ten IG issues Q1 2022

Pricing date	Ten largest IG issues Q1 2022	Value (€m)	Sector	Listing	Nationality of operations	Credit rating (S&P)	YTM (%)
Mar-22	L'Oreal SA	3,006	Consumer Discretionary	Paris	France	AA	0.68
Feb-22	ING Groep NV	2,987	Financials	Amsterdam	Netherlands	A-	1.57
Mar-22	American Medical Systems Europe BV	2,987	Health Care	Irish Stock Exchange-All Market	Netherlands	BBB	1.47
Jan-22	Prosus NV	2,869	Technology	Irish Stock Exchange-All Market	Netherlands	BBB	4.15
Jan-22	ENEL Finance International NV	2,733	Utilities	Irish Stock Exchange-All Market	Italy	BBB+	0.88
Mar-22	JPMorgan Chase & Co	2,500	Financials	Irish Stock Exchange-All Market	United States	A-	1.96
Mar-22	Vonovia SE	2,480	Financials	Luxembourg Stock Exchange	Germany	BBB+	2.01
Feb-22	Goldman Sachs Group Inc	2,255	Financials	Luxembourg Stock Exchange	United States	BBB+	1.30
Mar-22	Volkswagen International Finance NV	2,250	Consumer Discretionary	Luxembourg Stock Exchange	Germany	BBB-	
Jan-22	EIG Pearl Holdings Sarl	2,194	Energy	London Stock Exchange	Saudi Arabia	NR	3.97

IG by issuer operations nationality Q1 2022



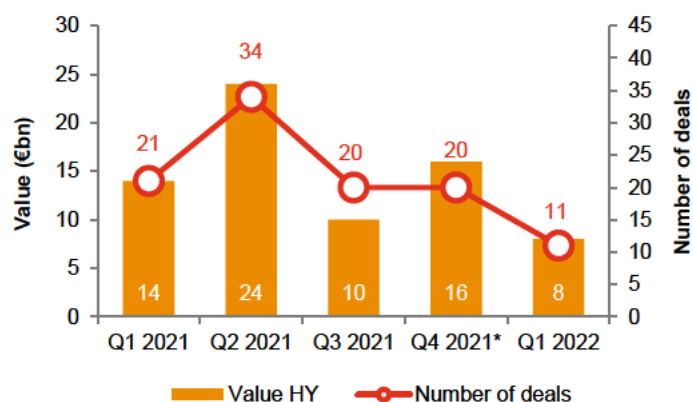
Average yield-to-maturity by issue rating (%)

S&P rating	Q1 2022	Q4 2021	Q1 2021
AAA	1.75	1.64	0.58
AA	1.49	0.69	0.58
A	1.71	1.02	0.86
BBB	1.92	1.50	1.12

# UK Focus

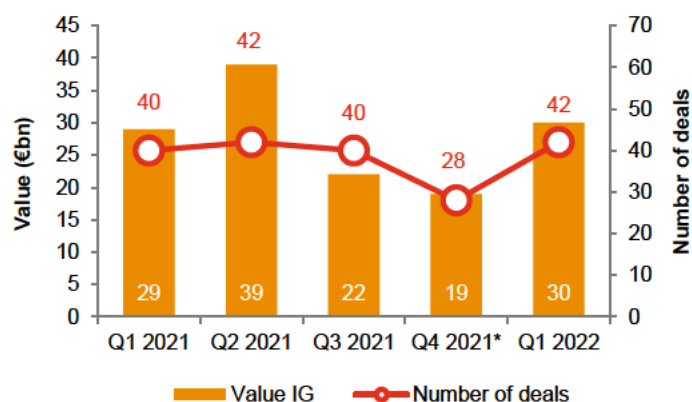
## High Yield (rated BB+ (inclusive) and below)

### UK HY activity by quarter

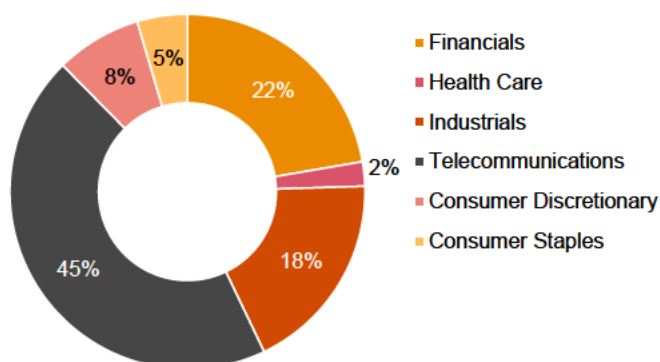


## Investment Grade (rated BBB- (inclusive) and above)

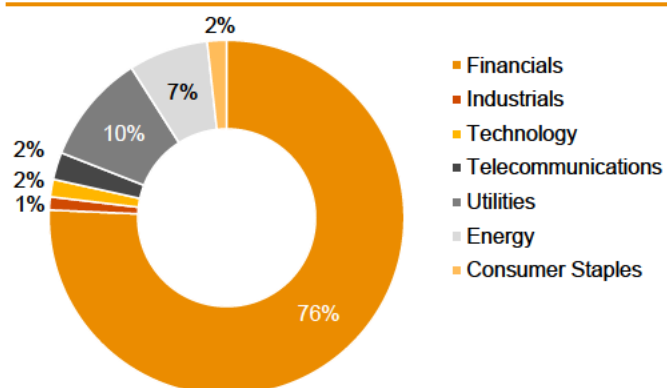
### UK IG activity by quarter



### UK HY by sector Q1 2022



### UK IG by sector Q1 2022



### Top five UK HY issues Q1 2022

Pricing date	Top five HY issues	Value (€m)	Listing	Credit rating (S&P)	YTM (%)
Jan-22	VZ Secured Financing BV	2,085	TISE-The International Stock Exchange	B+	4.32
Jan-22	United Group BV	980	TISE-The International Stock Exchange	B	5.25
Feb-22	Promontoria Holding 264 BV	944	TISE-The International Stock Exchange	B	7.13
Jan-22	Kane Bidco Ltd	839	TISE-The International Stock Exchange	B	5.75
Feb-22	Sazka Group AS	596	TISE-The International Stock Exchange	BB-	4.10

### Top five UK IG issues Q1 2022

Pricing date	Top five IG issues	Value (€m)	Listing	Credit rating (S&P)	YTM (%)
Jan-22	EIG Pearl Holdings Sarl	2,194	London Stock Exchange	NR	3.97
Jan-22	Standard Chartered plc	1,771	London Stock Exchange	BBB+/BBB-	3.11
Mar-22	Toronto-Dominion Bank	1,500	London Stock Exchange	A	1.95
Mar-22	NatWest Markets	1,365	London Stock Exchange	A-	3.48
Mar-22	Standard Chartered plc	1,362	London Stock Exchange	BBB+	3.97

# About Debt Watch Europe

Debt Watch Europe surveys all main and exchange regulated market bond deal issuance across Europe's debt listing venues based on bond tranches being listed on a European listing venue (excluding Russia and Switzerland).

The survey was conducted between 1 January and 31 March 2022. All market data is sourced from Dealogic and has not been independently verified by PricewaterhouseCoopers LLP.

## Data comparability to previous Debt Watch

\*The Q4 2021 market data in this publication is sourced from Dealogic as at 4 April 2022. Accordingly there may be differences to Q4 2021 data presented in 2021 Annual Debt Watch as the data was run as at 5 January 2022.

## Methodology

The classification of investment grade (IG) and high yield bond (HY) bonds are based solely on the ratings given by S&P – with BBB- and above (inclusive) as IG and BB+ and below (inclusive) as HY.

Yield to maturity is calculated as an average for issues with numerous tranches as of the pricing date.

For any issue with different ratings applied to different tranches, the multiple credit ratings for such issuances are displayed.

Sources: Dealogic, LCD, Bloomberg and PwC analysis.

# Contacts



**Sarah Hitchen**

Partner, Capital Markets

M: +44 (0)7734 958782

E: sarah.l.hitchen@pwc.com



**David Godbee**

Partner, Debt & Capital Advisory

M: +44 (0)7740 242013

E: david.k.godbee@pwc.com



**James Millar**

Director, Capital Markets

M: +44 (0)7725 706184

E: millar.james@pwc.com

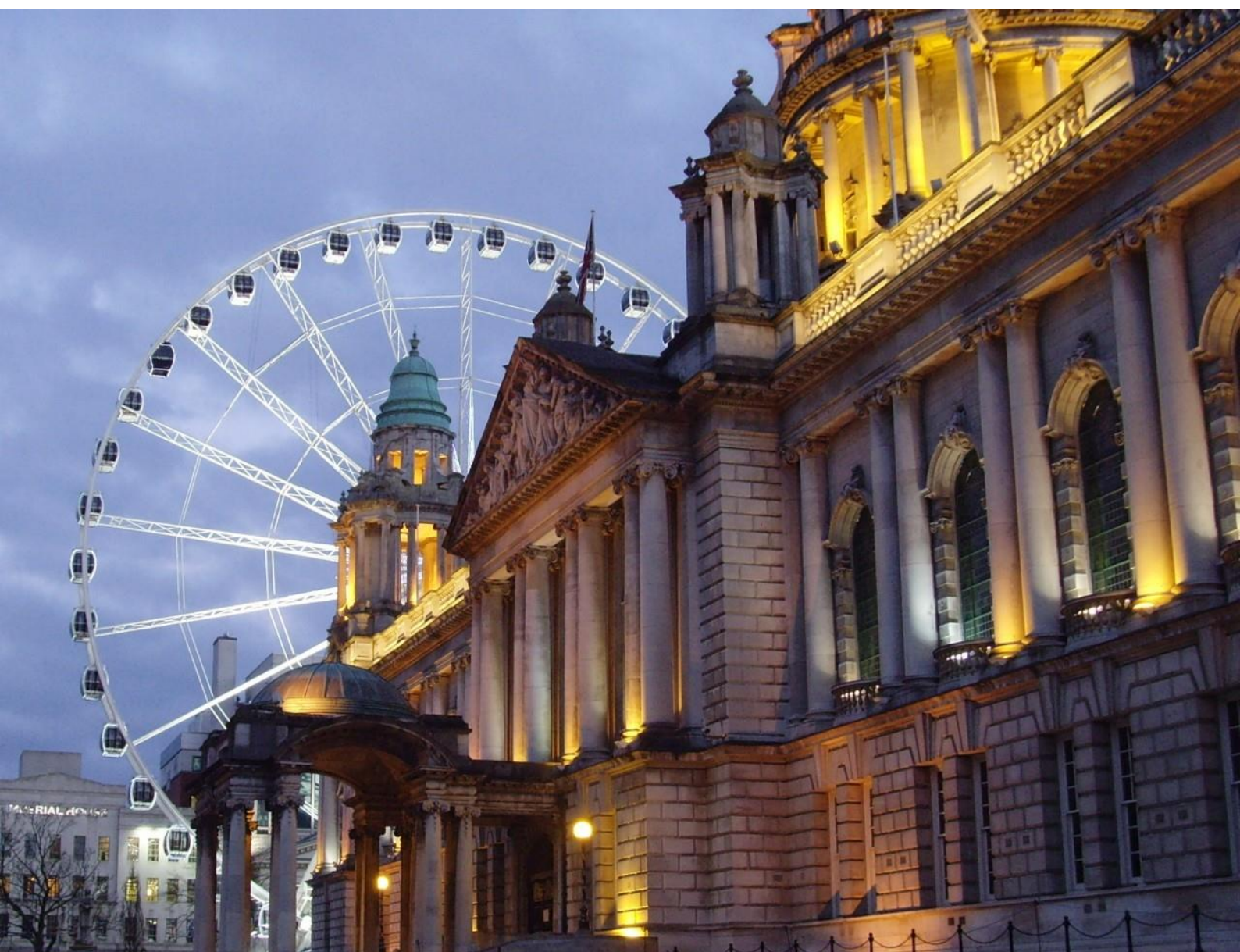


**Anika Shah**

Manager, Capital Markets

M: +44 (0)7808 798835

E: anika.r.shah@pwc.com



This content is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2022 PricewaterhouseCoopers LLP. All rights reserved. PwC refers to the UK member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.

2021-04-19\_RITM8123175