



Debt Watch Europe

Q2 2023 review

Corporate Debt Activity

373

Total corporate debt deals in Q2 2023

€233bn

Total corporate debt raised in Q2 2023

€206bn

Raised in Investment Grade deals in Q2 2023

€27bn

Raised in High Yield deals in Q2 2023

Overview

The second quarter of 2023 showed continued signs of improvement for the European bond market, despite the fallout from the collapse of Silicon Valley Bank and Credit Suisse in the first quarter of this year. At first, April 2023 showed little improvement in the bond market, with fewer completed deals compared to March 2023, a sign of investor hesitation for corporate bonds, before picking back up in May and June 2023 to close out the quarter strongly. A key driver for the recovery continues to be higher interest rates, combined with companies looking to refinance before rates increase, as central banks take action to curb inflation, meaning yields across both investment grade and high-yield are proving to be attractive to investors.

Overall there were 373 corporate debt deals and c.€233bn of proceeds raised in Q2 2023. This is a slight increase in the number of deals compared to the previous quarter which saw 365 deals, but with a lower overall amount of proceeds raised versus Q1 2023 which saw c.€261bn raised. This quarter also saw an increase in activity compared to the same period last year, with 251 deals and proceeds of c.€152bn raised in Q2 2022. The average yield-to-maturity has continued to climb compared to the previous quarter and the same period last year, but showing signs of stabilising after historically low yields over the past decade, with both issuers and investors more accustomed to higher interest rates being the new norm.

However, investors should exercise some caution when chasing these higher yields on corporate bonds. Central banks are continuing to increase base interest rates to combat inflation, such as the recent move by the Bank of England which raised interest rates up to 5% and the Federal Reserve signalling they will continue to increase interest rates this year, even though it was expected they would slow down or even end rate hikes this year. Many companies refinanced during the Covid-19 pandemic at ultra-low interest rates, and as these rates rise, bonds already in issue will fall in value, and the continued threat of economic slowdown would increase pressure on issuers paying down their debt, increasing the risk of potential default and insolvencies.



Corporate Debt Activity (continued...)

Investment Grade

The investment grade bond market saw a mixed performance during the quarter. While there was a slight increase in the number of issuances in the quarter, 314 deals completed in Q2 2023 compared with 300 in Q1 2023, proceeds raised in the quarter were actually 11% lower, with c.€ 206bn raised compared to c.€ 232bn raised in Q1. This still compares favourably against the same period last year which saw 213 deals and proceeds of c.€139bn raised. In a continuation of the trend seen in Q1 2023, issuers continue to pay a premium to issue in the current environment, as average yield-to-maturity continued to rise in the investment grade bond market. For example for A rated bonds and BBB rated bonds, the average yield-to-maturity in Q2 2023 was 4.52% and 5.16% respectively, compared to 2.74% and 3.45% in the same period last year. This attracts investors as they are able to diversify their risk and invest in safer assets relative to equities while also achieving good returns on their investments.

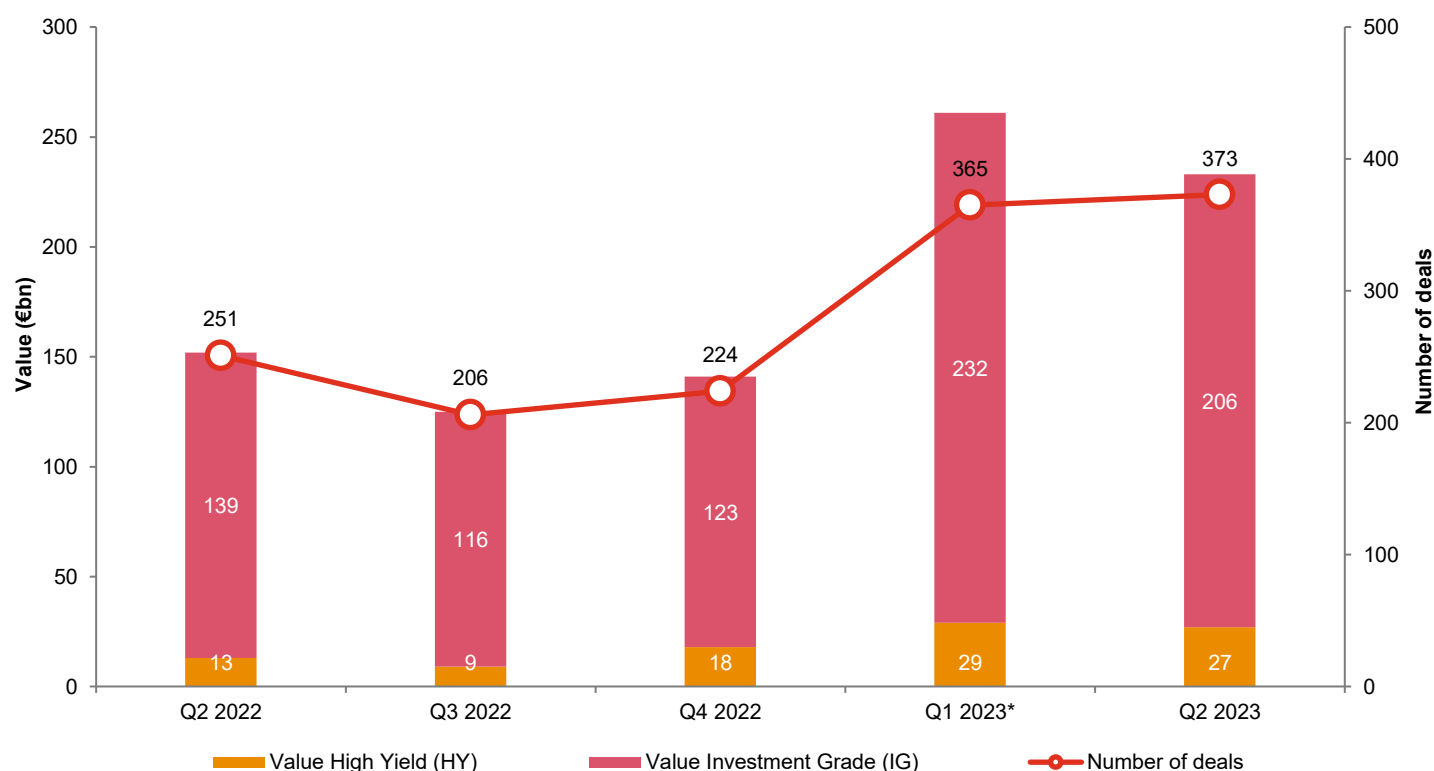
The largest issuance of the quarter was by German industrial giant Robert Bosch GmbH in May 2023, with a 4-tranche, A rated listing raising c.€4.5bn and a yield-to-maturity of 3.94% on the Luxembourg Stock Exchange. Financial Services accounted for 59% of investment grade issuances in the quarter, and six of the ten largest issuances were for banks. This included ABN Amro Bank issuing a 2-tranche, A/BBB rated senior unsecured bonds raising c.€2.7bn just weeks after the cancellation of Credit Suisse's AT1 bonds, showing signs financial services recovered quickly to resume issuing debt.

High Yield

Despite activity in the high yield bond market declining against Q1 2023, the market continued to show greater activity in comparison to the same period last year despite further tightening of monetary policy across Europe. Q2 2023 consisted of 59 deals raising c.€27bn, down from the previous quarter (Q1 2023) which saw a record 65 deals raising c.€29bn. However, the quarter showed significant improvement from Q2 2022 which recorded 38 deals raising c.€13 bn. Average yield to maturity grew slightly from 7.5% in Q1 2023 to 7.9% in Q2 2023, remaining higher than Q2 2022 where average yield to maturity was 6.4%.

The finance sector led the way by completing 25 deals in Q2 2023 amounting to c.28% of all high yield bond issuances raising c.€7.6bn. Top 10 high yield bond issuances raised c.€11.7bn representing c.43.6% of all bond issuances with a noticeable issuance of c.€2.2bn by Olympus Water US Holding Corporation.

Corporate debt activity by quarter



* The Q1 2023 market data in this publication is sourced from Dealogic as at 4 July 2023. Accordingly there may be differences to Q1 2023 data presented in Q1 2023 Debt Watch as the data was run as at 4 April 2023.

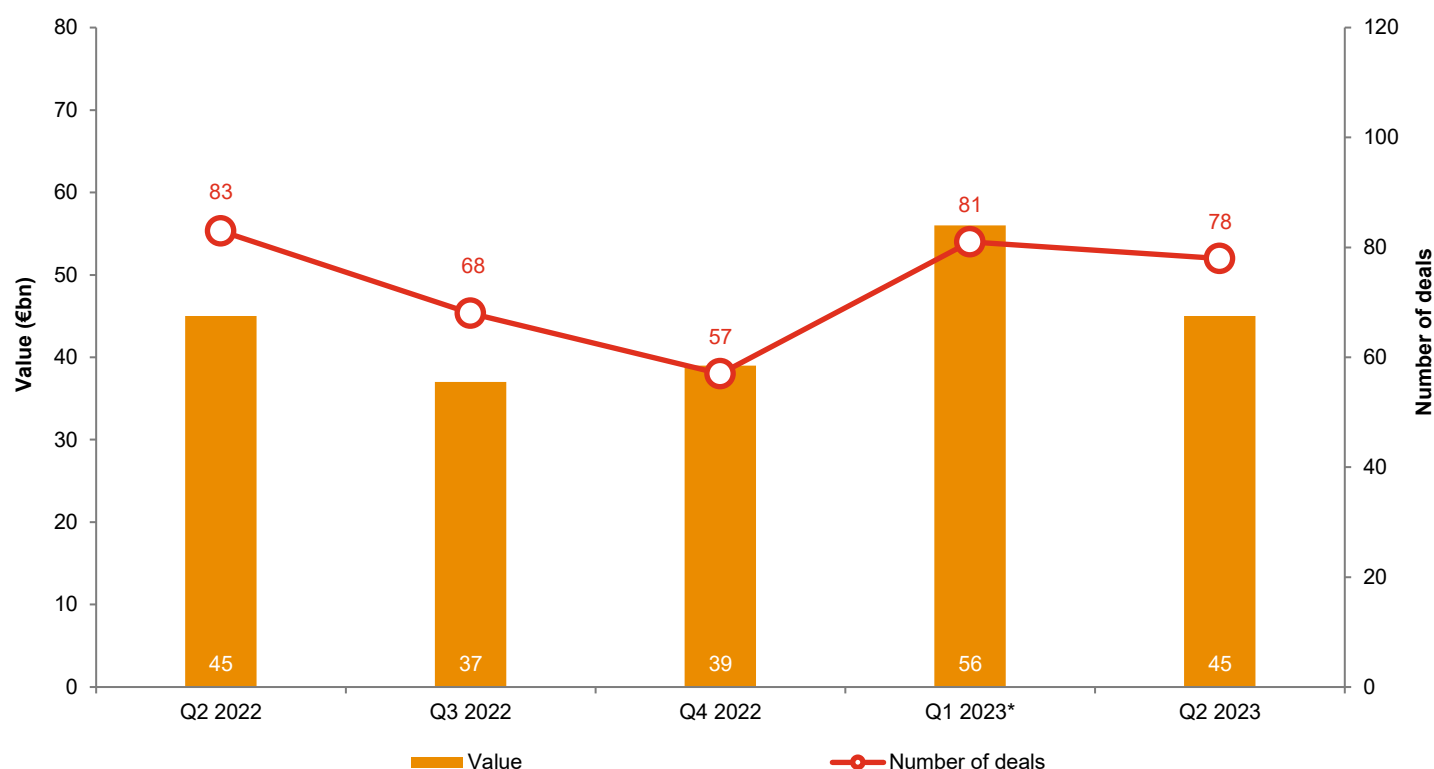
Corporate Debt Activity (continued...)

Green/ESG bonds

In line with the overall bond market in Q2 2023, activity in the green/ESG bond market showed a slight decline, completing 78 deals raising c.€45bn in comparison to Q1 2023 which saw 81 completed deals raising c.€56bn. Despite fewer deals completed in comparison to the same quarter in 2022 (83 completed deals), the market raised a similar amount of funds c.€45bn. ESG bonds remained dominated by green bonds, equating to 83% of completed deals, while sustainability and social bonds represented 7% and 10% respectively. Despite this, it is expected that demand for Green/ESG bonds will grow as more companies put decarbonisation and other green plans into action, and it's likely that the market will rebound to levels similar to 2021 which was the best year on record.

The potential impact of the European Union Green Bonds Standard (EUGBS), which was provisionally agreed in February 2023, with the aim of all companies using the standard to disclose information on how proceeds will be used for green projects, along with how those investments that impact the companies' green transition plans as a whole, will likely impact the growth of the sustainable bond market. However, negotiations are expected to continue for the foreseeable future and the standard will only come into effect twelve months after final negotiations are concluded.

Green/ESG bonds activity by quarter**



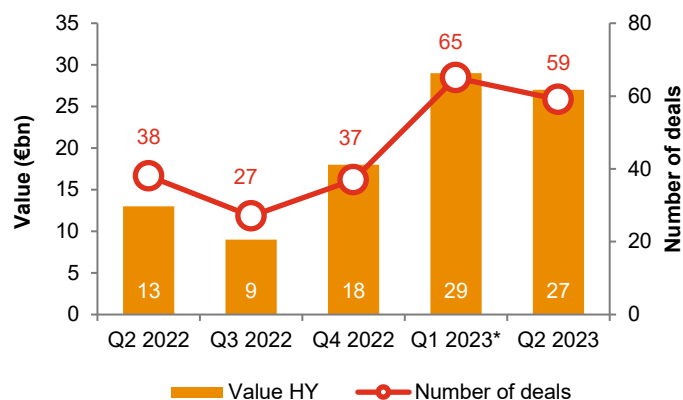
* The Q1 2023 market data in this publication is sourced from Dealogic as at 4 July 2023. Accordingly there may be differences to Q1 2023 data presented in Q1 2023 Debt Watch as the data was run as at 4 April 2023.

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

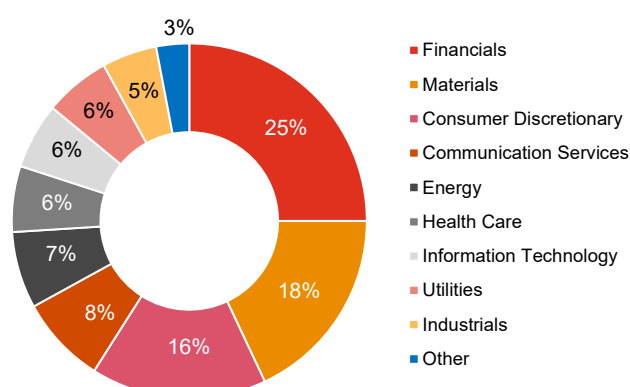
High Yield

(Rated BB+ (inclusive) and below)

HY activity by quarter



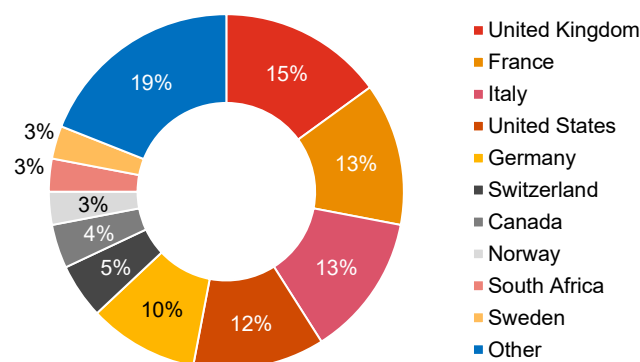
HY by sector Q2 2023



Top ten HY issues Q2 2023

Pricing date	Ten largest HY issues Q2 2023	Value (€m)	Sector	Listing	Nationality of operations	Credit rating (S&P)	YTM (%)
May-23	Olympus Water US Holding Corp	2,206	Materials	TISE-The International Stock Exchange	United States	B-	9.69
Jun-23	Electricite de France SA - EDF	1,402	Utilities	Luxembourg Stock Exchange	France	B+	9.13
May-23	Vodafone Group plc	1,317	Communication Services	London Stock Exchange	United Kingdom	BB+	7.30
Apr-23	Allwyn Entertainment Financing (UK) plc	1,303	Consumer Discretionary	TISE-The International Stock Exchange	Switzerland	BB	7.56
May-23	First Quantum Minerals Ltd	1,195	Materials	TISE-The International Stock Exchange	Canada	B+	8.63
May-23	Lottomatica SpA	1,110	Consumer Discretionary	Luxembourg Stock Exchange	Italy	BB-	7.13
Jun-23	IPD 3 BV	970	Information Technology	Luxembourg Stock Exchange	France	B	8.00
Apr-23	Sasol Financing USA LLC	908	Financials	Frankfurt Stock Exchange-General	South Africa	BB+	8.75
Jun-23	British Telecommunications plc	813	Communication Services	London Stock Exchange	United Kingdom	BB+	8.41
Jun-23	Banco BPM SpA	750	Financials	Luxembourg Stock Exchange	Italy	NR	6.01

HY by issuer operations nationality Q2 2023



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

S&P rating	Q2 2023	Q1 2023	Q2 2022
BB	7.25	6.99	5.69
B	9.14	9.15	8.62
**CCC	-	-	-

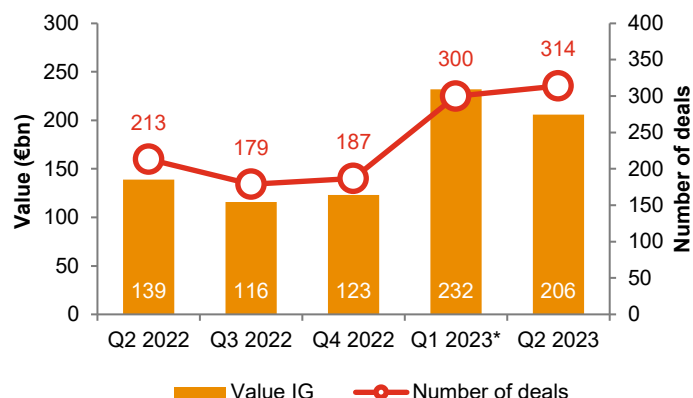
** Both Q2 2023 and Q1 2023 and Q2 2022 haven't recorded any transactions rated CCC or below.

* The Q1 2023 market data in this publication is sourced from Dealogic as at 4 July 2023. Accordingly there may be differences to Q1 2023 data presented in Q1 2023 Debt Watch as the data was run as at 4 April 2023.

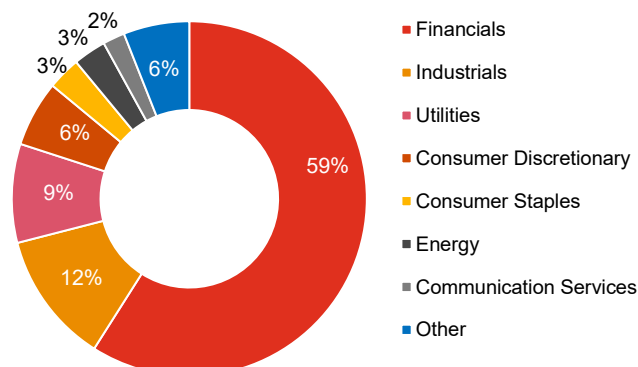
Investment Grade

(Rated BBB- (inclusive) and above)

IG activity by quarter



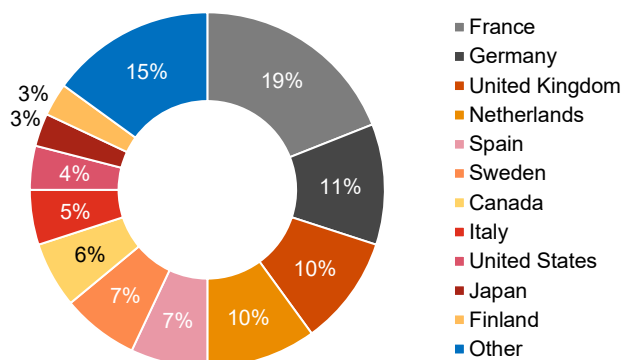
IG by sector Q2 2023



Top ten IG issues Q2 2023

Pricing date	Ten largest IG issues Q2 2023	Value (€m)	Sector	Listing	Nationality of operations	Credit rating (S&P)	YTM (%)
May-23	Robert Bosch GmbH	4,486	Industrials	Luxembourg Stock Exchange	Germany	A	3.94
May-23	Bayer AG	2,985	Health Care	Luxembourg Stock Exchange	Germany	BBB	4.34
May-23	ING Groep NV	2,982	Financials	Amsterdam	Netherlands	A-	4.71
May-23	Electricite de France SA-EDF	2,750	Utilities	Luxembourg Stock Exchange	France	BBB	6.32
Apr-23	ABN AMRO Bank	2,748	Financials	Amsterdam	Netherlands	A/BBB	4.09
Apr-23	MUFG	2,298	Financials	Euro MTFLuxembourg Stock Exchange	Japan	A-	5.40
Jun-23	Mizuho	2,286	Financials	Euro MTFLuxembourg Stock Exchange	Japan	A-	5.77
Jun-23	Standard Chartered plc	2,284	Financials	London Stock Exchange	United Kingdom	BBB+	6.25
May-23	Intesa Sanpaolo SpA	2,249	Financials	Luxembourg Stock Exchange	Italy	BBB	4.46
Apr-23	Sika Capital BV	2,245	Industrials	Irish Stock Exchange-All Market	Switzerland	A-	3.80

IG by issuer operations nationality Q2 2023



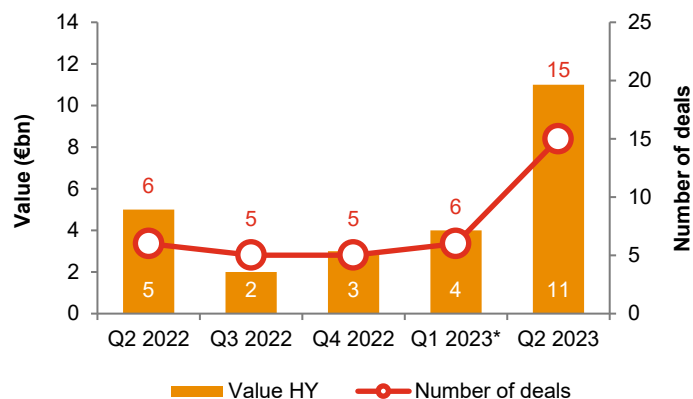
Average yield-to-maturity by issue rating (%)

S&P rating	Q2 2023	Q1 2023	Q2 2022
AAA	3.95	3.92	3.45
AA	3.86	4.05	2.90
A	4.52	4.43	2.74
BBB	5.16	4.58	3.45

UK Focus

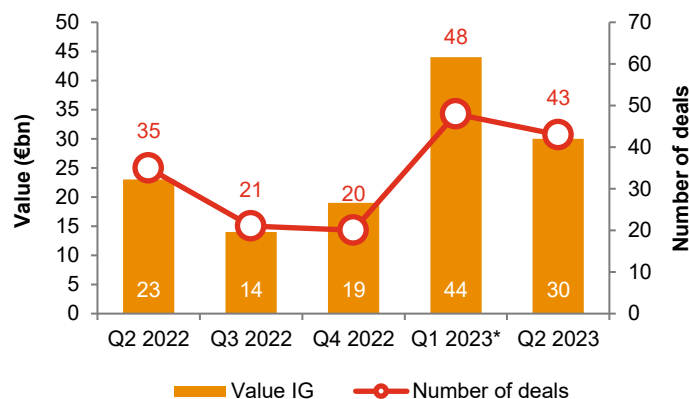
High Yield (rated BB+ (inclusive) and below)

UK HY activity by quarter

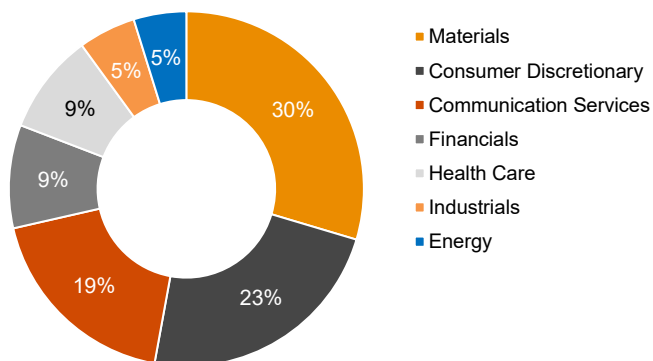


Investment Grade (rated BBB- (inclusive) and above)

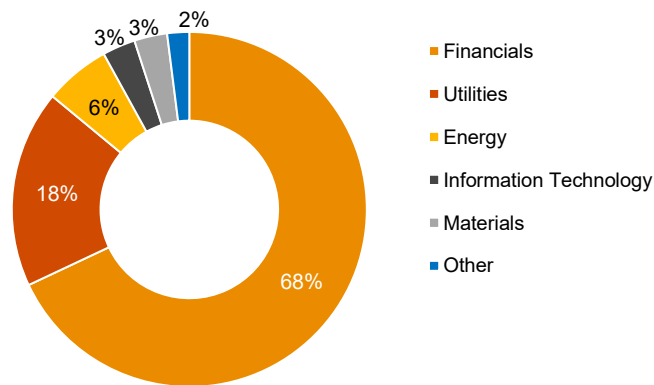
UK IG activity by quarter



UK HY by sector Q2 2023



UK IG by sector Q2 2023



Top five UK HY issues Q2 2023

Pricing date	Top five HY issues	Value (€m)	Listing	Credit rating (S&P)	YTM (%)
May-23	Olympus Water US Corp	2,206	TISE-The International Stock Exchange	B-	9.69
May-23	Vodafone Group plc	1,317	London Stock Exchange	BB+	7.30
Apr-23	Allwyn Entertainment Financing (UK) plc	1,303	TISE-The International Stock Exchange	BB	7.56
May-23	First Quantum Minerals Ltd	1,195	TISE-The International Stock Exchange	B+	8.63
Jun-23	British Telecommunications plc	813	London Stock Exchange	BB+	8.41

Top five UK IG issues Q2 2023

Pricing date	Top five HY issues	Value (€m)	Listing	Credit rating (S&P)	YTM (%)
Jun-23	Standard Chartered plc	2,284	London Stock Exchange	BBB+	6.25
Apr-23	Saudi Electricity Sukuk Programme Co	1,845	London Stock Exchange	NR	5.16
May-23	HSBC Holdings plc	1,750	London Stock Exchange	A-	4.86
May-23	BP Capital Markets plc	1,500	London Stock Exchange	A-	
Jun-23	Lloyds Bank plc	1,445	London Stock Exchange	NR	

* The Q1 2023 market data in this publication is sourced from Dealogic as at 4 July 2023. Accordingly there may be differences to Q1 2023 data presented in Q1 2023 Debt Watch as the data was run as at 4 April 2023.

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 April and 30 June 2023. All market data is sourced from Dealogic and has not been independently verified by PricewaterhouseCoopers LLP.

Data comparability to previous Debt Watch

*The Q1 2023 market data in this publication is sourced from Dealogic as at 4 July 2023. Accordingly there may be differences to Q1 2023 data presented in Q1 2023 Debt Watch as the presented market data was sourced from Dealogic as at 4 April 2023.

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, Capital IQ (S&P Global Market Intelligence, LLC) 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



Matheus Finochio
Senior Manager, Capital Markets
M: +44 (0)7483 347632
E: matheus.s.finochio@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 for further details.