



Debt Watch Europe

2019 Annual Review

Review of 2019 and outlook for 2020

€797bn

Total corporate debt raised in 2019 across Europe

1,196

Total corporate debt deals in 2019 across Europe

€650bn

Raised in Investment Grade deals in 2019 across Europe

€147bn

Raised in High Yield deals in 2019 across Europe

€80bn

Total leveraged loans raised in 2019 across Europe

Overview

2019 proved to be very active throughout the whole year with 1,196 corporate debt issuances and €797bn raised, outshining the 2018 activity of 968 issuances and €650bn raised and even surpassing 2017 in terms of volume of €773bn raised. The first three quarters of 2019 were fairly level with slight growth in terms of number of issuances and volumes quarter on quarter. High yield volume increased each quarter from €32bn in Q1 2019 to €42bn in Q4 2019 as yield became harder to come by as the year progressed. The investment grade sector saw a steady rise from €170bn in Q1 2019 to €178bn in Q3 2019, however Q4 2019 dropped to €128bn. This showed the trend of investors willing to take a risk for greater yield given where spreads were between BBB and BB issuers in Q4 2019. This was encouraging despite the on/off Brexit debate coupled with US and China trade disputes affecting the wider global markets. 2019 saw some of the largest jumbo bond issuances with Saudi Aramco coming to market with a record bond deal of €10.6bn in the first half of the year. September proved to be the busiest month ever with a total of \$434bn of corporate bonds sold globally in the month, according to data from Dealogic.

Overall pricing on bonds was attractive to issuers through the first three quarters as various Government bonds reached historic lows and the markets saw negative yields, with central banks keeping rates low. This may not have been welcome news for those investors limited to investment in Investment grade debt only, but they were left with little other choice.

In this market, refinancing was particularly attractive for existing borrowers from Q2 2019 onwards and demand for high yield bonds and hunt for greater yield continued. Whilst demand was strong this was not necessarily across the board. Investors were certainly more strategic and cautious on the choice of issuers, with them tending to favour established issuers over those coming to the market for the first time.

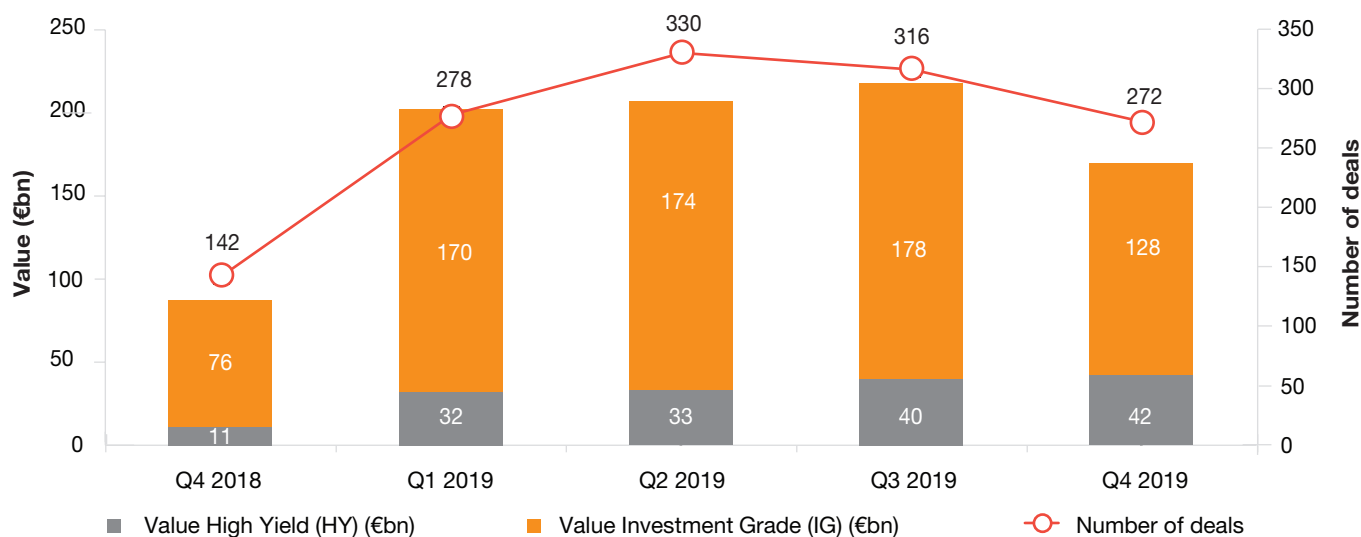
Q4 2019 did tail off after the post summer surge, however ended far above the levels seen in Q4 2018. Given yields were very much in the issuers favour and below those seen in Q4 2018, there were still good levels of activity in October and November of 2019 due to the geo-political uncertainty and favourable issuer yield. However, we started to see the first signs of challenge, in particular for first time Issuers, unable to get their deals away at a price agreeable to all parties.

Some commentators have suggested that the 2019 bonds rally seems even to challenge the traditional notions of bonds and equities in a portfolio. Traditional logic states, investors buy bonds for stable yields and equities for price appreciation. Yet when, as we have seen in 2019, bond prices surge like stocks; investors looking for consistent income streams may well consider equities with apparently solid dividends as a viable alternative.

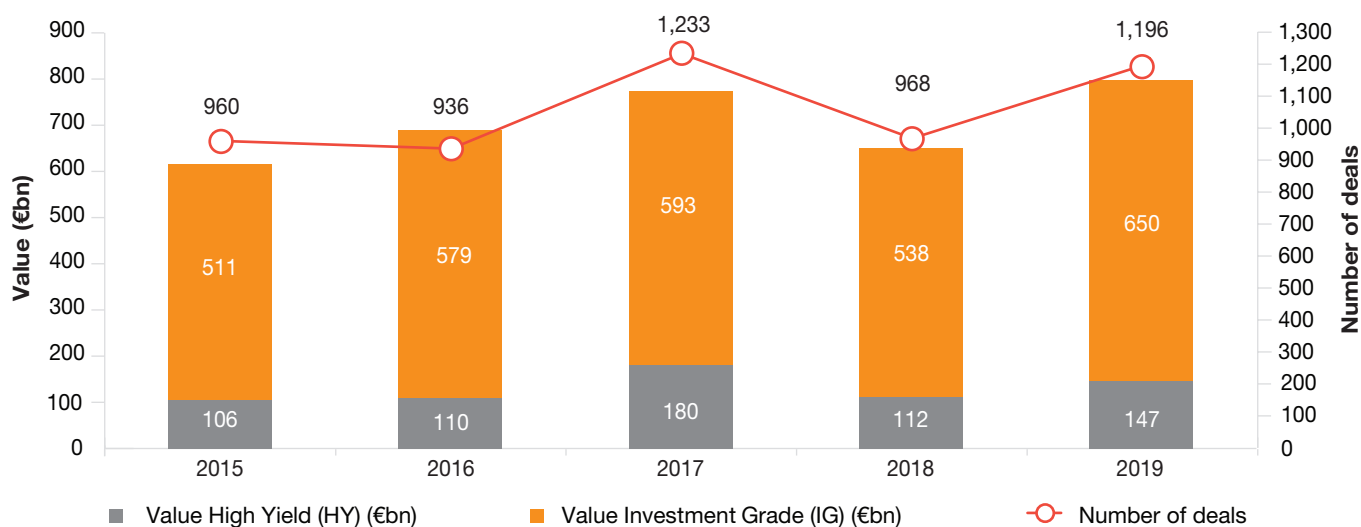
The European leveraged loan market in 2019 has seen volumes decrease versus prior year and even more so when compared to volumes reached in 2017, with total volumes down from c.€97bn in 2018 to c.€80bn in 2019. The contraction in volumes was largely driven by a reduction in M&A activity, with global M&A activity at a six year low. Volumes in the leverage loan market were also negatively impacted by the attractiveness of high yield bond market fundamentals and Brexit uncertainty. Pricing continues at near record lows, with the three month average new issue yield-to-maturity at 3.90% on euro TLBs at the end of 2019. The private debt market/direct lender space continues to be active with 331 transactions tracked by PwC in 2019 (albeit this was down from 418 in 2018). 2019 has also seen an increasing trend of direct lending funds competing with the institutional TLB and high yield bond markets, with several sizeable transactions completed over the year.

Corporate Debt Activity

Corporate debt activity by quarter

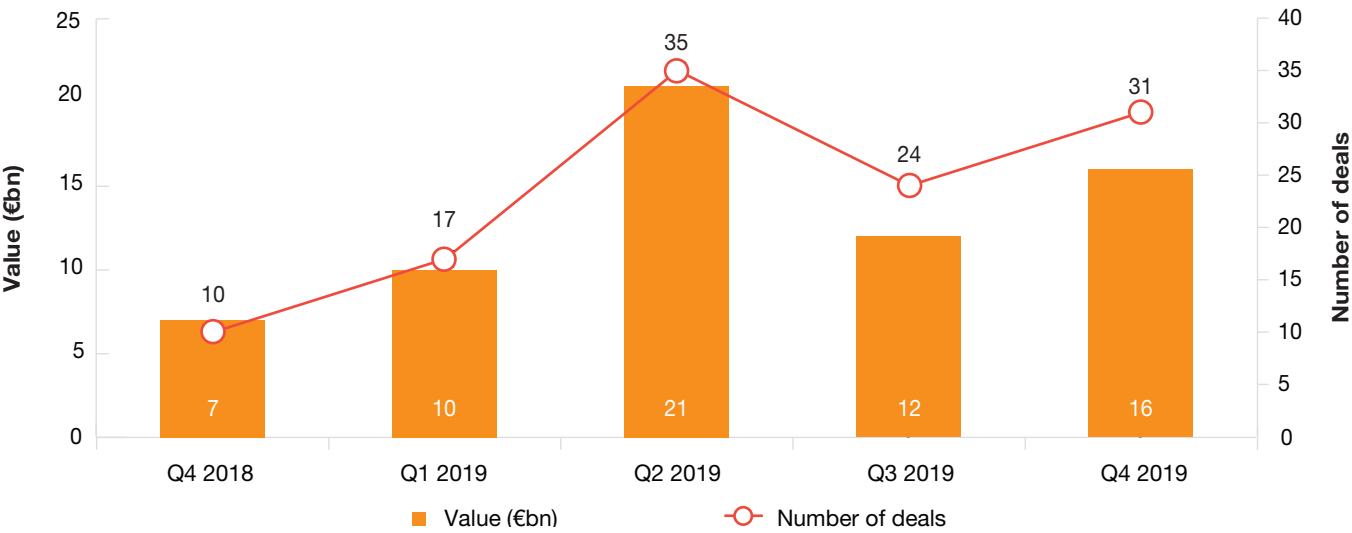


Corporate debt activity by year

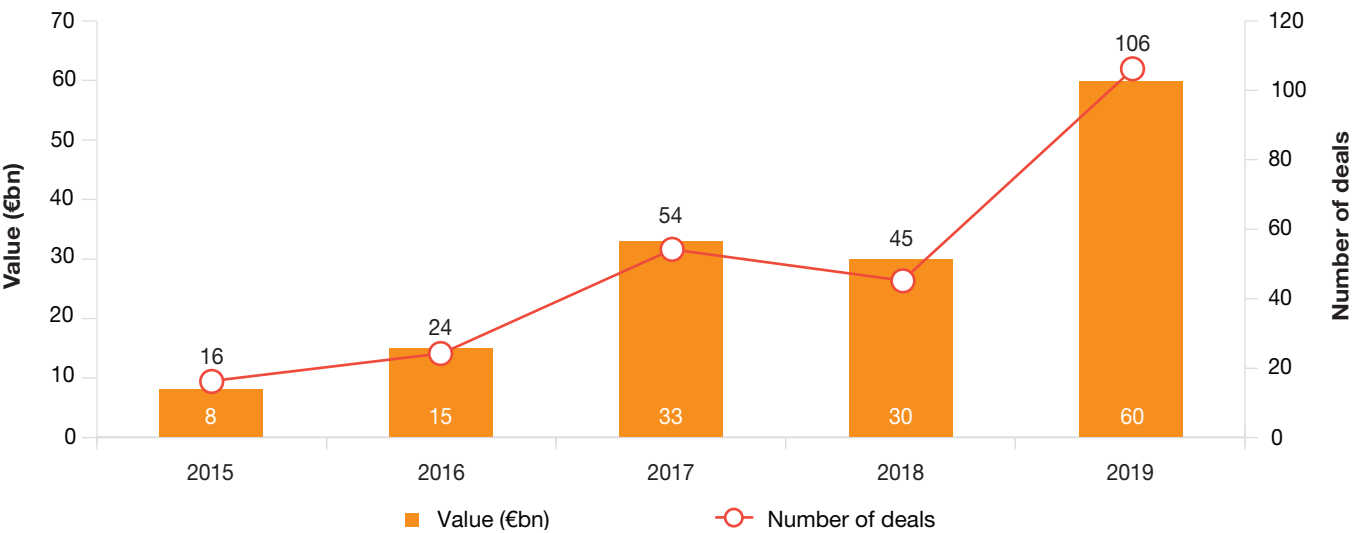


Green Bonds

Green bonds activity by quarter*



Green bonds activity by year*

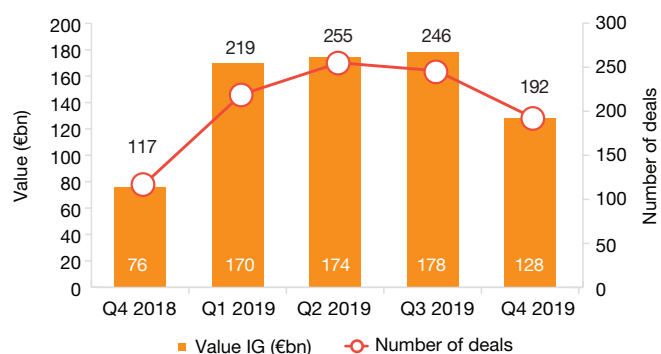


* Green bonds includes Social, Sustainable and Green bonds

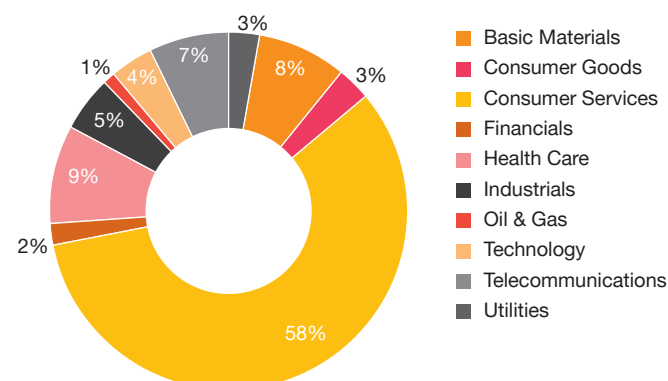
Investment Grade – Europe

(Rated BBB-(inclusive) and above)

IG activity by quarter



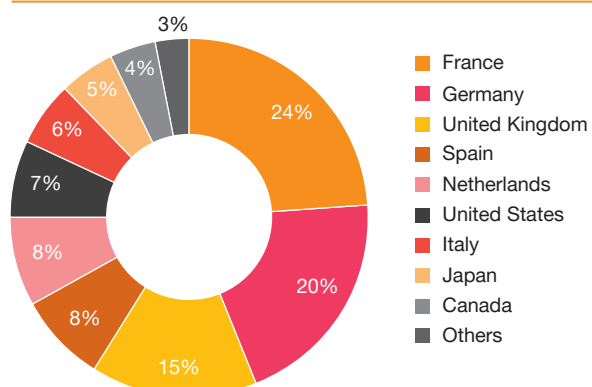
IG by sector 2019



Top ten IG issues 2019

Pricing date	Top ten IG issues (2019)	Value (€m)	Sector	Listing market	Nationality of operations	Rating (S&P)	YTM (%)
Apr 19	Saudi Aramco	10,579	Oil & Gas	London Stock Exchange	Saudi Arabia	–	3.65
Sep 19	Petroleos Mexicanos – PEMEX	6,800	Oil & Gas	Luxembourg Stock Exchange	Mexico	BBB+	7.02
Jul 19	MUFG	5,787	Financials	Euro MTF; Luxembourg Stock Exchange	Japan	A-	3.09
Oct 19	CK Hutchison Group Telecom Finance SA	5,121	Industrials	Luxembourg Stock Exchange	Hong Kong	A-	1.46
Nov 19	EssilorLuxottica SA	4,962	Health Care	Paris	France	A	0.40
Feb 19	MUFG	4,845	Financials	Luxembourg Stock Exchange	Japan	A-	3.55
Jul 19	Sumitomo Mitsui Financial Group	4,008	Financials	Euro MTF; Luxembourg Stock Exchange	Japan	A-	2.87
Sep 19	Wintershall Dea Finance BV	4,000	Basic Materials	Luxembourg Stock Exchange	Germany	–	1.11
Jan 19	Orange SA	3,979	Telecommunications	Paris	France	BBB+	1.74
Oct 19	Daimler International Finance BV	3,975	Consumer Goods	Luxembourg Stock Exchange	Germany	A	0.75

IG by issuer operations nationality 2019



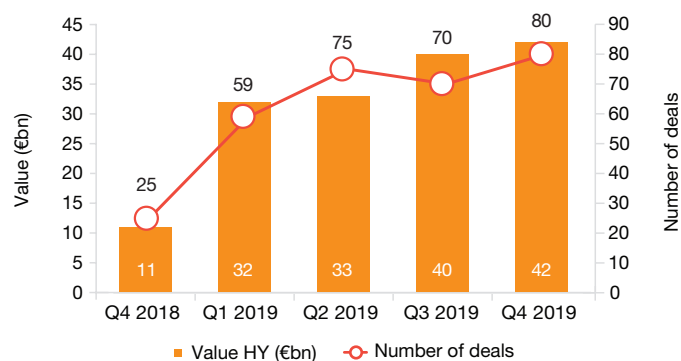
Average yield-to-maturity by issue rating (%)

S&P rating	Q4 2019	2019	2018
AAA	2.09	1.94	–
AA	1.28	1.02	1.72
A	1.18	1.37	1.90
BBB	1.67	2.01	2.50

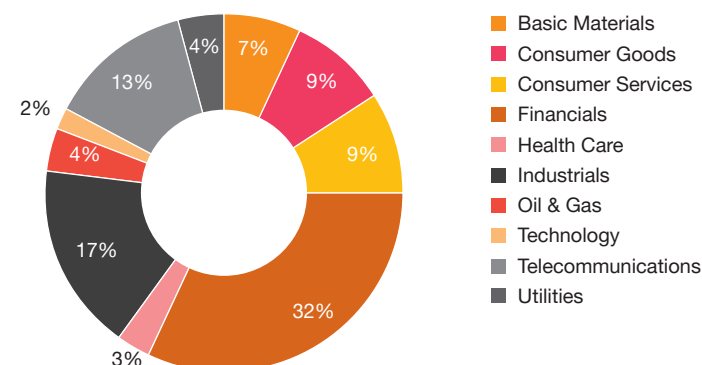
High Yield – Europe

(Rated BB+ (inclusive) and below)

HY activity by quarter



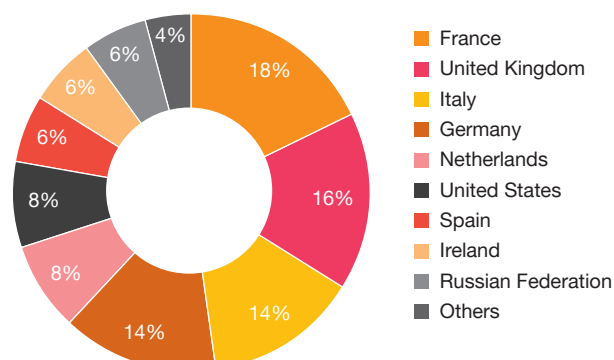
HY by sector 2019



Top ten HY issues 2019

Pricing date	Top ten HY issues (2019)	Value (€m)	Sector	Listing market	Nationality of operations	Rating (S&P)	YTM (%)
Mar 19	Power Solutions	3,300	Consumer Goods	TISE	United States	B+	6.38
May 19	Altice Luxembourg SA	2,830	Telecommunications	Luxembourg Stock Exchange	France	B-	9.25
Sep 19	Altice France SA	2,547	Telecommunications	Euro MTF; Luxembourg Stock Exchange	France	B	3.79
Jul 19	Trivium Packaging Finance BV	2,537	Industrials	Irish Stock Exchange	Netherlands	-	5.92
May 19	IHO Verwaltungs GmbH	2,053	Industrials	Euro MTF, Luxembourg Stock Exchange	Germany	BB+	5.04
Nov 19	ARD Finance SA	2,018	Basic Materials	Irish Stock Exchange	Ireland	B-	5.75
Mar 19	Barclays plc	1,762	Financials	TISE	United Kingdom	B+	7.99
Nov 19	Bayer AG	1,744	Health Care	Luxembourg Stock Exchange	Germany	BB+	2.88
Nov 19	Grifols SA	1,675	Health Care	Irish Stock Exchange	Spain	BB+	1.94
Jul 19	Ardagh Packaging Finance plc	1,608	Industrials	Irish Stock Exchange	Ireland	BB	3.84

HY by issuer operations nationality 2019

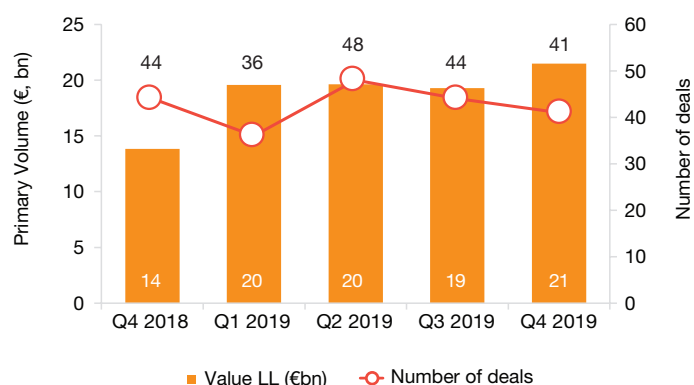


Average yield-to-maturity by issue rating (%)

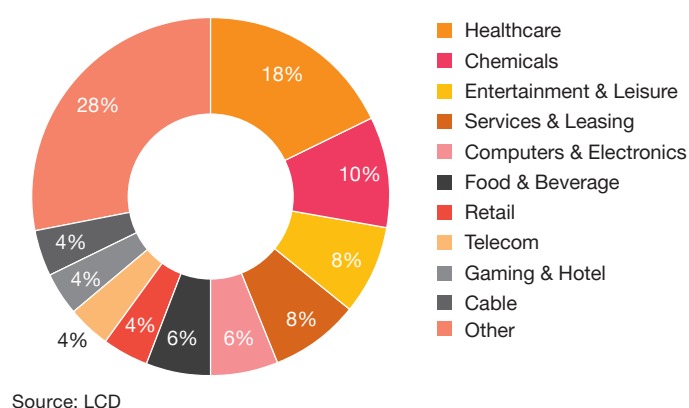
S&P rating	Q4 2019	2019	2018
BB	3.49	3.94	4.56
B	5.68	6.57	6.76
CCC	-	8.81	8.14

Leveraged Loans – Europe

LL activity by quarter



LL by sector 2019

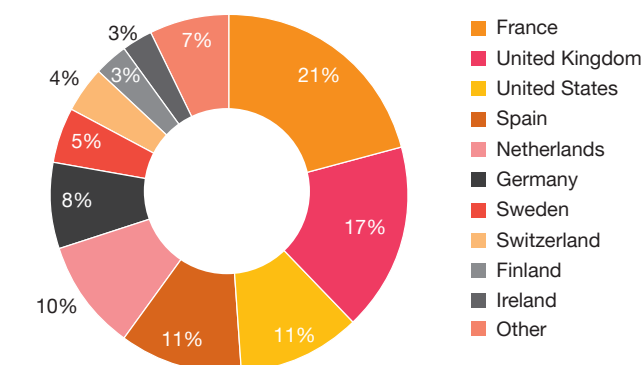


Top ten LL issues 2019

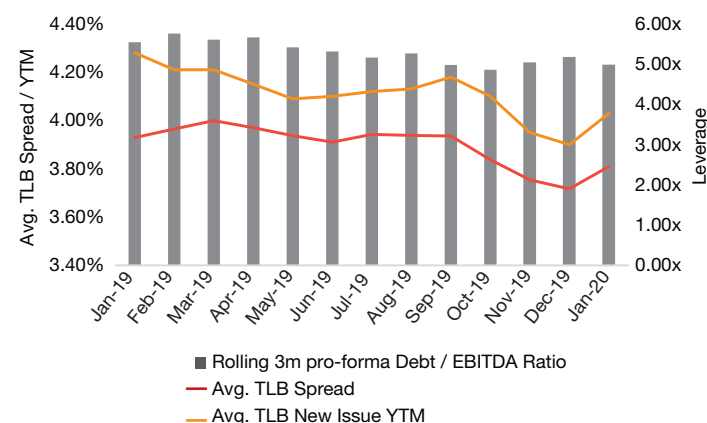
Pricing date	Top ten LL issues (2019)	Value (€m)	Sector	Tranche Maturity Date	Nationality of operations	Rating (S&P)	Margin (bps)
Mar-19	Fiat Chrysler Automobiles NV	6,250	Auto/Truck	Apr-22	Italy	BB	–
Nov-19	Point Resources ASVar Energi AS	5,451	Oil & Gas	Nov-24	Norway	–	–
Nov-19	Grifols SA	4,072	Healthcare	Nov-27	Spain	BB+	200
Oct-19	Merlin Entertainments plc	4,068	Leisure & Recreation	Oct-26	United Kingdom	BB-	325
Sep-19	Avrupa Otoyolu Yatirim AS	4,005	Construction/Building	–	Turkey	–	167
Oct-19	Virgin Media Inc	3,759	Telecommunications	Jan-28	United Kingdom	BB-	250
Jul-19	Nestle Skin Health SA	3,697	Consumer Products	Jul-26	Switzerland	B	425
Oct-19	Springer Nature AG & Co KGaA	3,276	Publishing	Aug-24	Germany	B+	350
Jun-19	Chrysaor Ltd	2,635	Oil & Gas	Dec-25	United Kingdom	–	–
Mar-19	Travelport Worldwide Ltd	2,605	Computers & Electronics	Mar-26	United Kingdom	B+	500

Source: PwC Business Research | Dealogic

LL by issuer nationality 2019



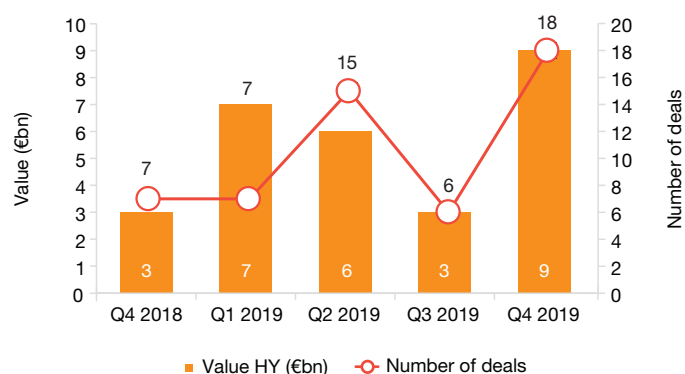
Average TLB primary spread and YTM against leverage



UK Focus

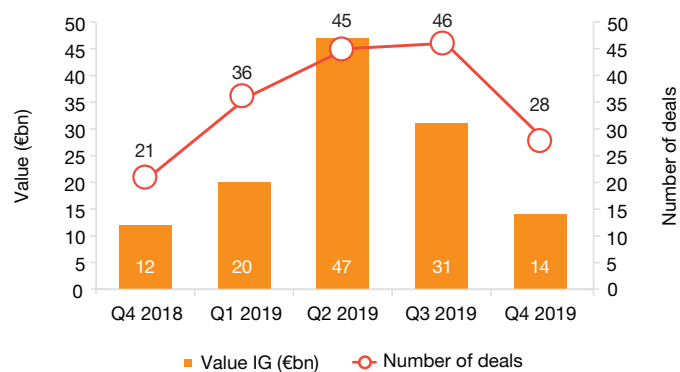
High yield (rated BB+ (inclusive) and below)

UK HY activity by quarter

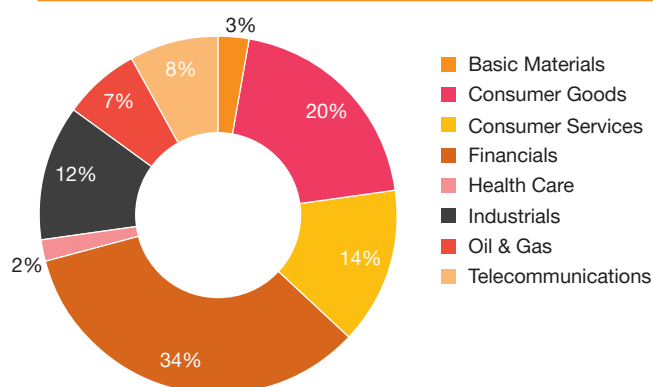


Investment grade (rated BBB-(inclusive) and above)

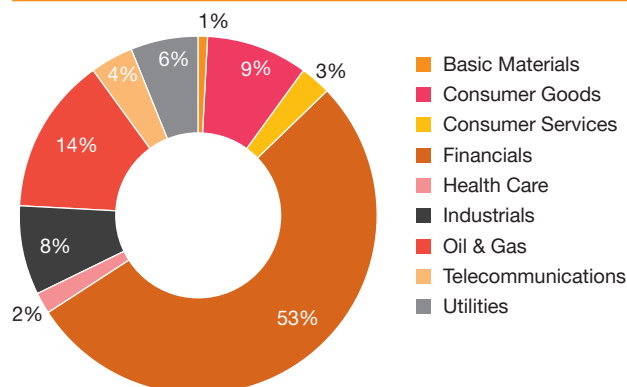
UK IG activity by quarter



UK HY by sector 2019



UK IG by sector 2019



Top three UK HY issues 2019

Pricing date	Top five HY issues	Value (€m)	Listing market	Rating (S&P)	YTM (%)
Mar 19	Power Solutions	3,300	TISE	B+	6.38
Mar 19	Barclays plc	1,762	TISE	B+	7.99
Oct 19	Summer (BC) Holdco B SARL	1,468	TISE	–	7.63
Mar 19	LeasePlan Corporation N.V.	1,350	TISE	BB+	3.63
Oct 19	EG Global Finance plc	1,277	TISE	B	7.38

Top five UK IG issues 2019

Pricing date	Top five IG issues	Value (€m)	Listing market	Rating (S&P)	YTM (%)
Apr 19	Saudi Aramco	10,579	London Stock Exchange	–	3.65
May 19	BP Capital Markets plc	2,665	London Stock Exchange	A-	1.30
Sep 19	GlaxoSmithKline Capital plc	2,512	London Stock Exchange	A+	(0.10)
May 19	Bank of America Corp	2,500	London Stock Exchange	A-	1.10
May 19	Vodafone Group plc	2,482	London Stock Exchange	BBB+	1.74

About Debt Watch Europe

Debt Watch Europe surveys all new main and exchange regulated market Bond deal issuance, on Europe's major Debt listing venues (primarily London, Dublin and Luxembourg).

The survey was conducted between 1 January and 31 December 2019. The analysis of corporate debt was sourced from Dealogic and the analysis of leveraged loans was sourced from LCD and Dealogic. All market data has not been independently verified by PricewaterhouseCoopers LLP.

Methodology

The classification of Investment Grade (IG) and High Yield Bond (HY) are solely based 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.

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

Sources: Dealogic, LCD and PwC analysis. Excludes Russian-listed bonds.

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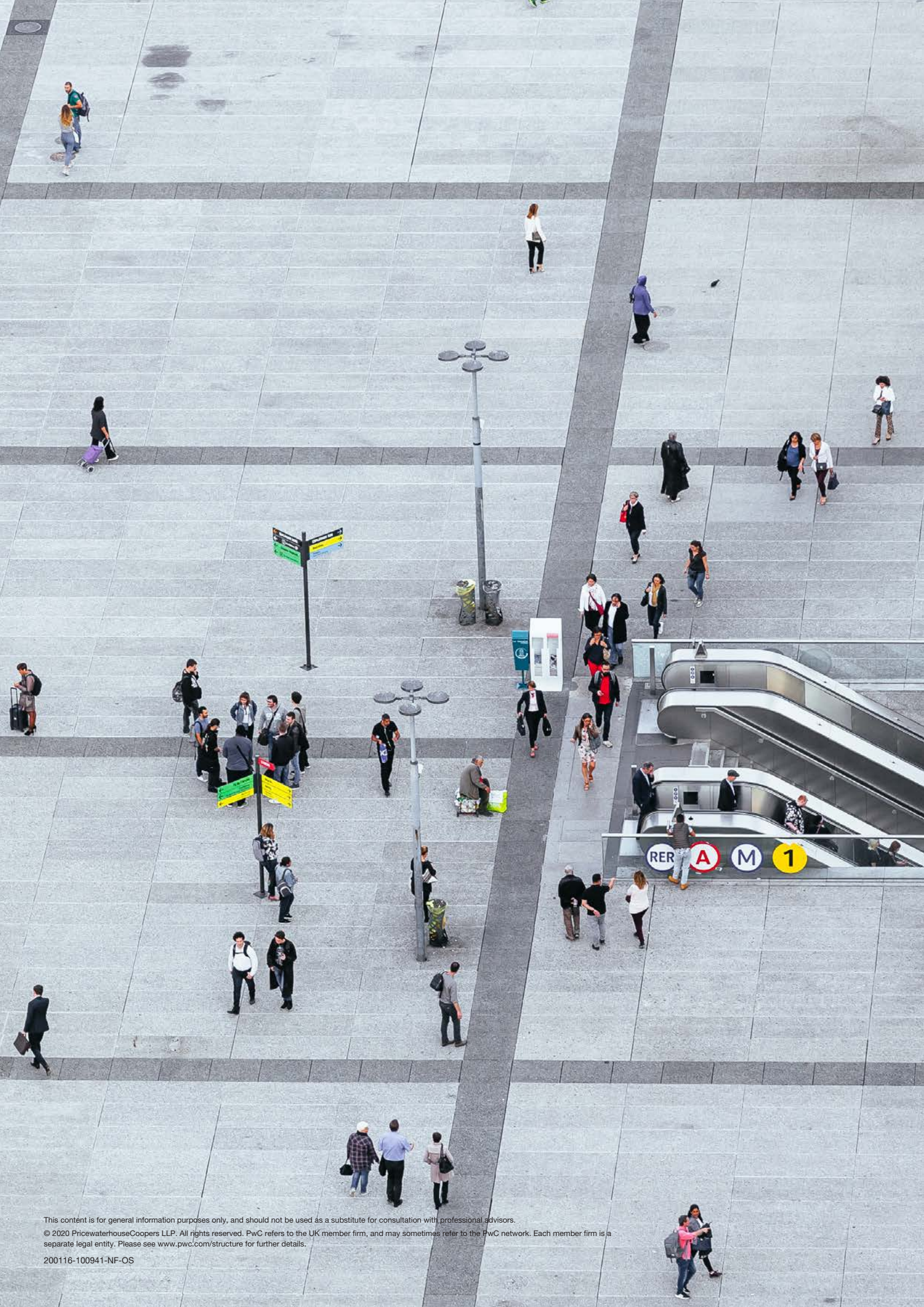


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