

Leveraged Finance

U.S. And Canada Summary Report

April 7, 2022

This report does not constitute a rating action

Key Insights

- **Confluence Of Risks Curtails Positive Credit Momentum:** As the Russia-Ukraine military conflict rages on, we continue to assess the effects of the related economic sanctions and the broader implications for borrowing conditions, supply chains, and credit quality. Further, high inflationary pressures, the lingering pandemic, supply chains facing new disruption risks, and the prospect for sharply higher interest rates from the U.S. Federal Reserve are all pushing lenders and investors to reassess their risk/reward appetites.
- **Slow Down In Speculative-Grade New Issuers:** There were 41 new U.S. and Canadian spec-grade corporate issuers year to date (YTD) as of March 31, 2022, which reflects a decrease of 22 issuers compared with the same period in 2021. The three sectors that had the largest number of new issuers were health care; business and consumer services; and media, entertainment, and leisure (see chart 4).
- **The Pace Of Defaults Continued To Abate Despite Ongoing Headwinds:** The 2022 North American corporate default tally stands at seven, which is lower than our tally of 16 defaults at the same point in 2021. The U.S. 12-month trailing spec-grade default rate remains at 1.5% as of Feb. 28, 2022, which is its lowest level since July 2014.¹
- **Speculative-Grade Rating Outlook Remains Favorable:** Our rating outlooks continue to shift toward stable or positive and we have stable outlooks on about 76% of the U.S. and Canadian issuers we rate in the spec-grade category. The 'B-' rated cohort remains the largest segment of the spec-grade category, at 26%, and we have stable outlooks on 83% of these issuers.
- **Leveraged Loan Issuance Moderates:** Based on LCD, the leveraged loan volume for the quarter ended March 31, 2022, was \$149.1 billion, which compares with \$228.0 billion in the first quarter of 2021. This slowdown follows the rise in volatility in the equity markets, stemming from the uncertainty around the Russia-Ukraine conflict, that began earlier this year.
- **Collateral Loan Obligation (CLO) Issuance Decelerates:** Based on LCD, the U.S. primary-market has reduced its pace of issuance. The volume of new CLO issuance YTD as of March 2022 was \$30.7 billion across 62 deals. This tally compares with \$39.8 billion across 82 deals as of the same period in March 2021.² The diversified telecommunications and media and entertainment sectors accounted for six of the top 10 obligors held in U.S. broadly syndicated loan (BSL) CLOs (fourth quarter of 2021).³
- **Recovery Rating Point Estimates Show Net Increases:** For the quarter ended March 31, 2022, our recovery rating point estimates (see footnote, chart 11) experienced more net increases than decreases. Most of the increases were in the capital goods, machinery and equipment, and chemicals industries.



U.S. CORPORATE RATINGS LEVERAGED FINANCE CONTACTS

Minesh Patel
New York
minesh.patel
@spglobal.com
+1-212-438-6410

Ramki Muthukrishnan
New York
ramki.muthukrishnan
@spglobal.com
+1-212-438-1384

Bryan Ayala
New York
bryan.ayala
@spglobal.com
+1-212-438-9012

GLOBAL RATINGS RESEARCH

Nicole Serino
New York
nicole.serino
@spglobal.com
+1-212-438-1396

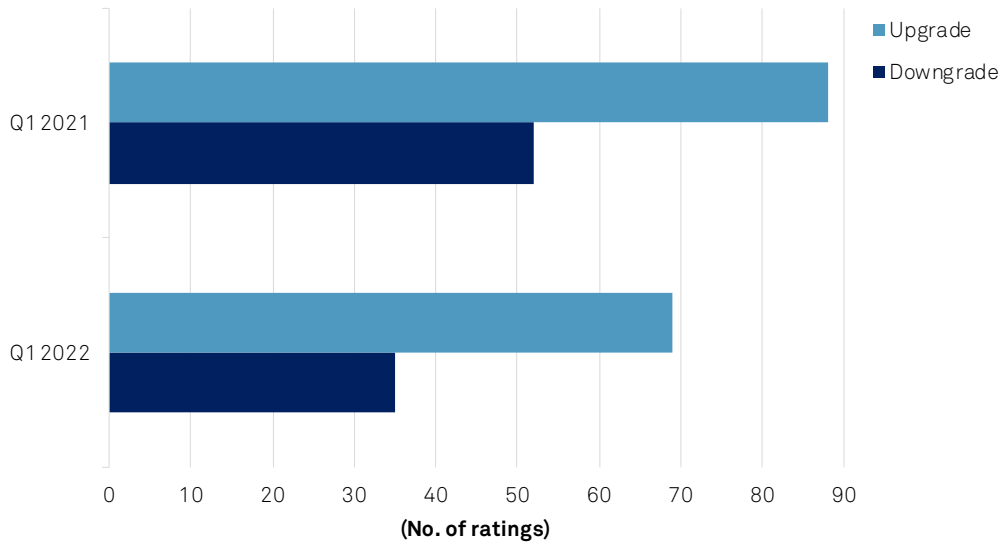
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Rating Actions: Speculative Grade

Chart 1

Upgrades And Downgrades



Note: YTD data as of March 31, 2021, and 2022. Includes U.S. and Canada corporate ratings. Source: S&P Global Ratings.

PODCASTS

[The Upgrade Episode 20: A Credit-Cycle Turn Could Expose Vulnerabilities In The Middle Market](#), March 1, 2022*

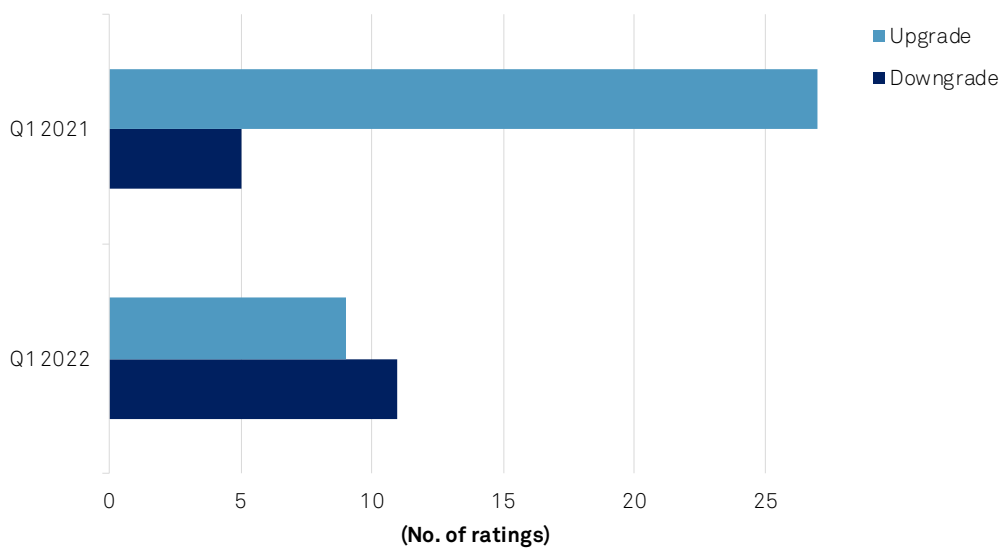
[The Upgrade Episode 19: EBITDA Addbacks Continue To Stack](#), Feb. 10, 2022*

[The Upgrade Episode 18: Lender Recovery Study Update](#), Feb. 7, 2022*

Ratings Actions: Into/Out Of 'CCC'/'CC'

Chart 2

Ratings Coming Into/Out Of 'CCC'/'CC'

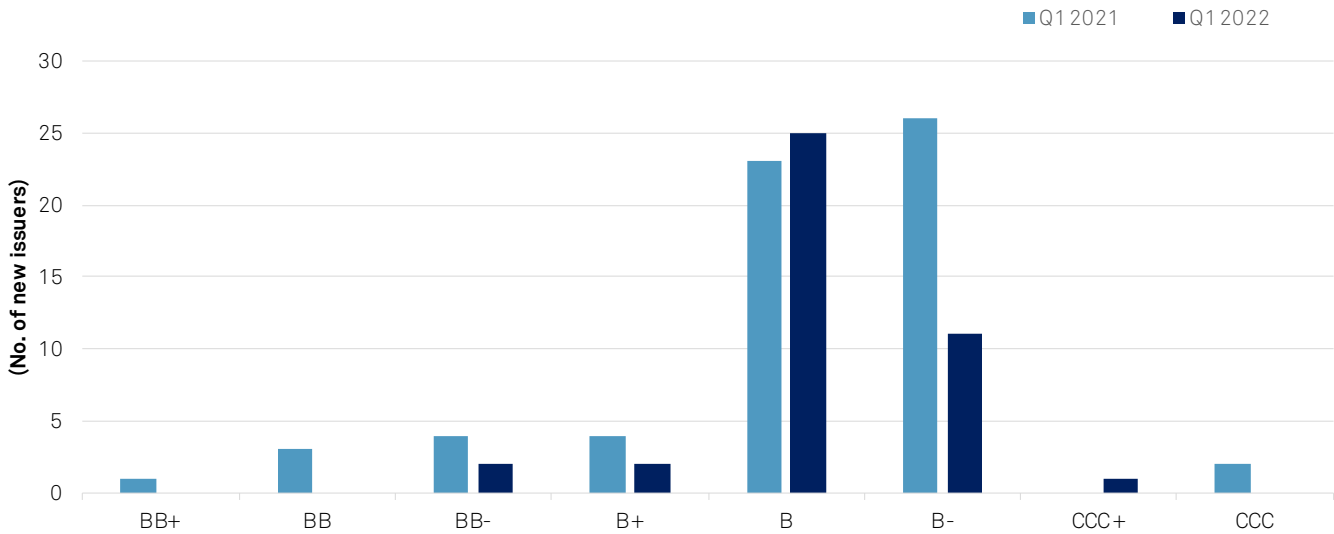


Note: YTD data as of March 31, 2021, and 2022. Includes U.S. and Canada corporate ratings. Source: S&P Global Ratings.

YTD Speculative Grade New Issuers

Chart 3

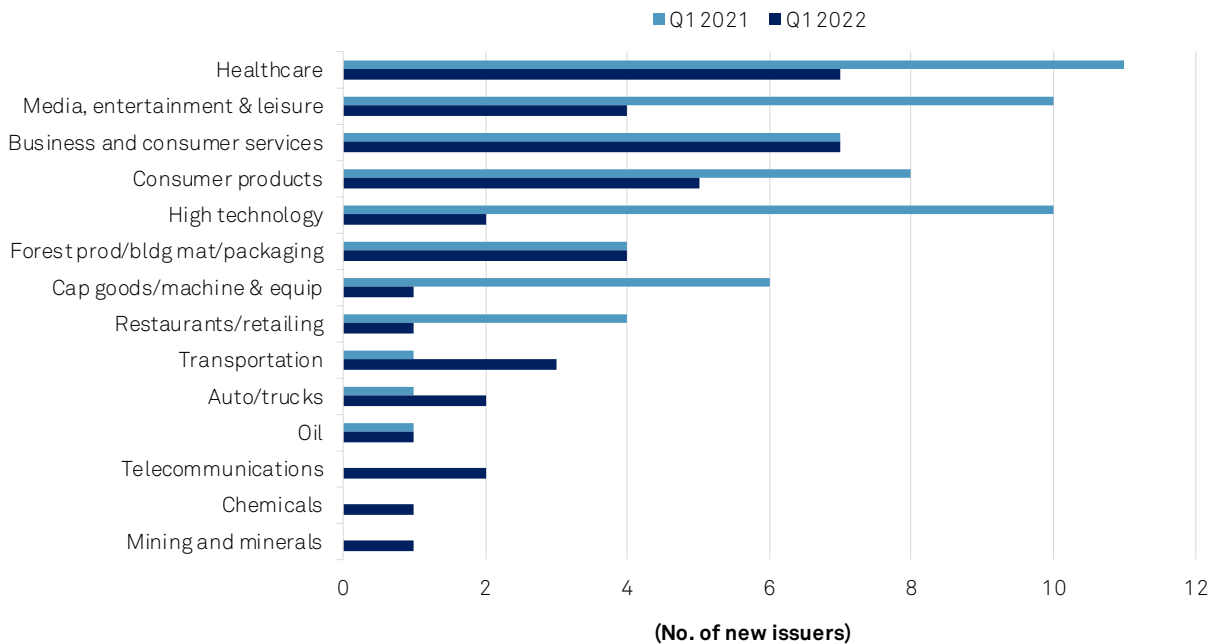
New Issuers By Rating



Note: Data represents new issuers as of March 31, 2021, and 2022. Includes U.S. and Canada corporate ratings, as well as confidential issuers. As of March, there were 33 new issuers in 2021 and 5 new issuers in 2022. Source: S&P Global Ratings.

Chart 4

New Issuers By Industry Group



Note: Data represents new issuers as of March 31, 2021, and 2022. Includes U.S. and Canada corporate ratings, as well as confidential issuers. Source: S&P Global Ratings.

Defaults

Ratings Lowered To 'SD'/'D'

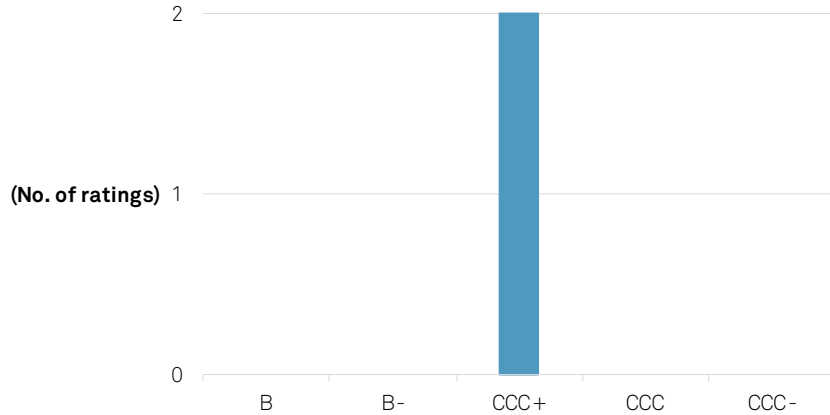
Chart 5

Downgrade To 'SD'/'D'



Chart 6

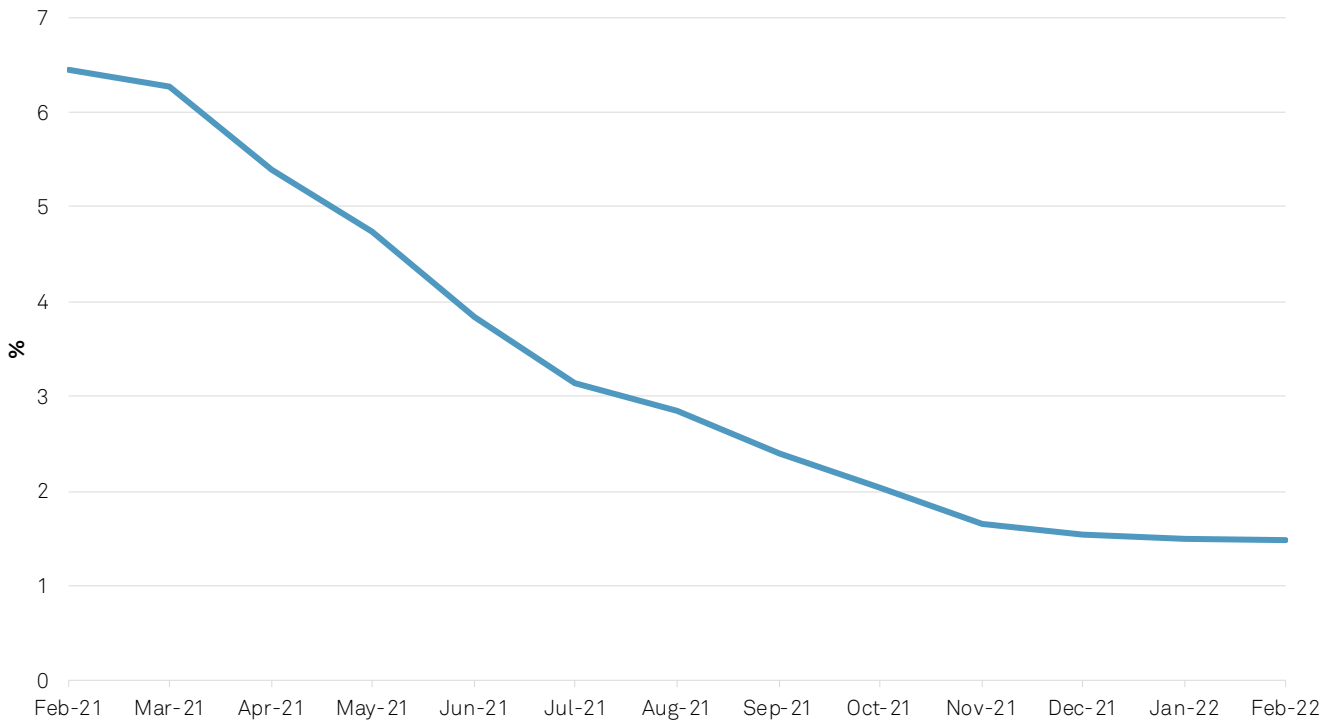
Upgrade From 'SD'



Note: Data as of March 30, 2022. Includes U.S. (including Cayman Islands in chart 5) and Canada corporate ratings. SD--Selective default. There were only two upgrades from 'SD'. Source: S&P Global Ratings.

Chart 7

U.S. Trailing 12-Month Speculative-Grade Default Rate



Note: Data as of Feb. 28, 2022. Source: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro. [Quarter-On-Quarter Default Totals Inch Up](#), April 4, 2022.

Speculative-Grade Rating Outlook Mix

Chart 8

March 2021 Spec-Grade Ratings Distribution

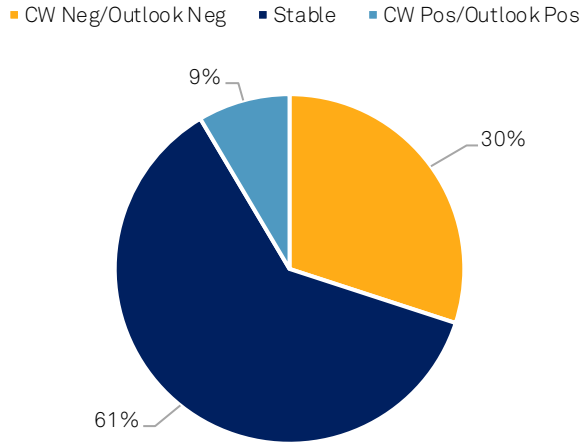
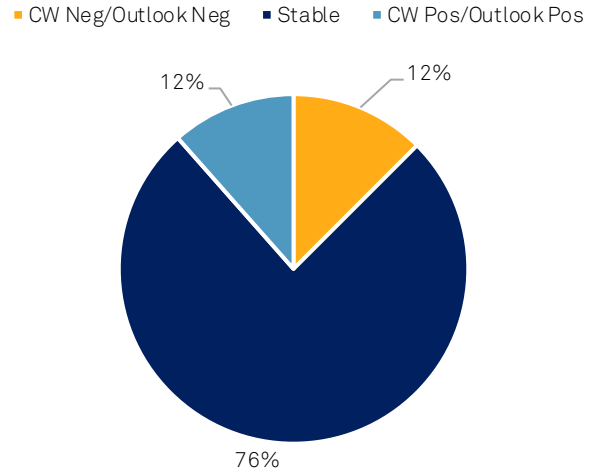


Chart 9

March 2022 Spec-Grade Ratings Distribution



Note: Data as of March 31, 2021, and 2022. Outlook distribution includes all of U.S. and Canada corporate ratings. Does not include investment-grade issuers. Source: S&P Global Ratings.

Chart 10

March 2021 Spec-Grade Ratings Distribution

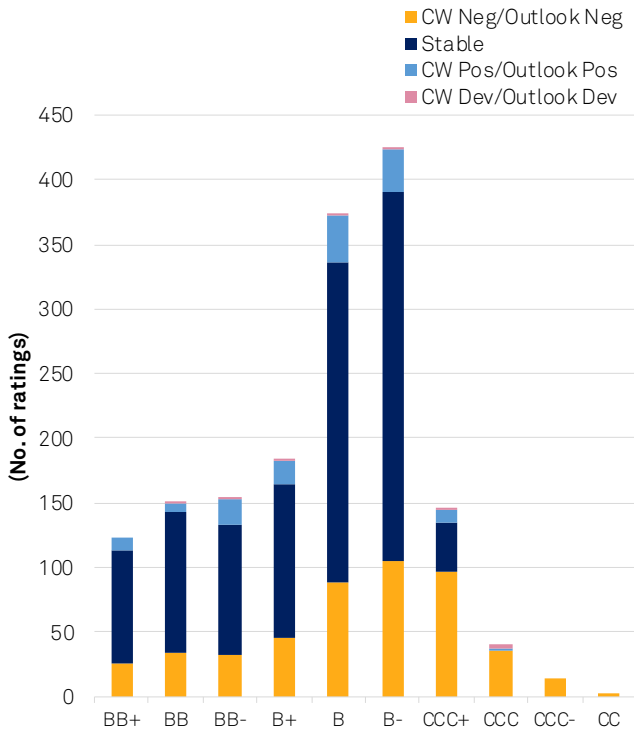
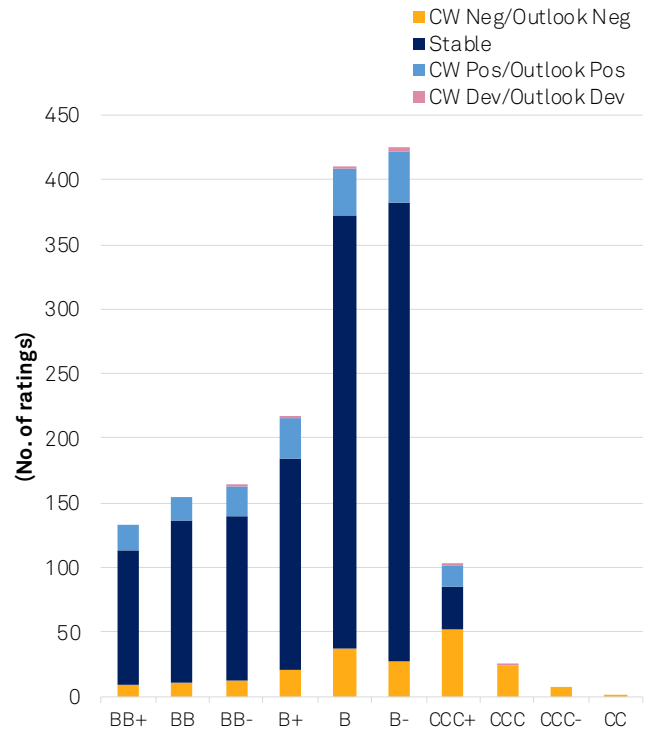


Chart 11

March 2022 Spec-Grade Ratings Distribution



Note: Data as of March 31, 2021, and 2022. Includes U.S. and Canada corporate ratings. Source: S&P Global Ratings.

CLOs

Table 1

Top 10 Obligators Held In U.S. BSLCLOs (Fourth Quarter Of 2021)

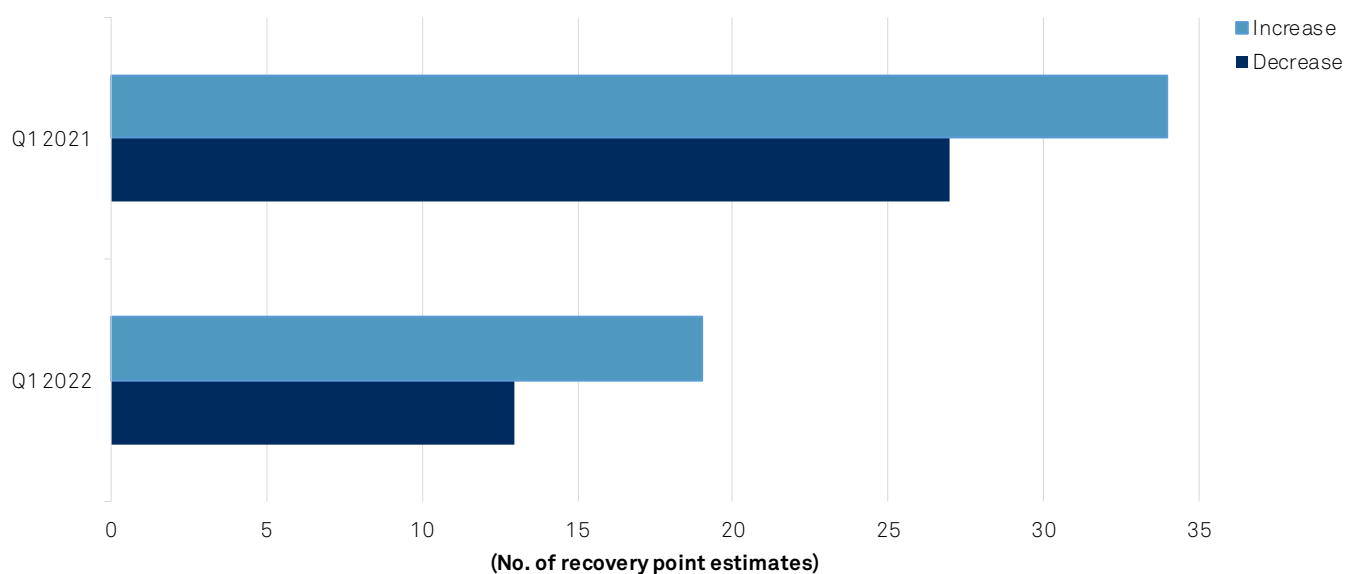
Rank	Issuer	Rating & CW/Outlook	Industry
1	Liberty Global PLC	BB-/Stable	Diversified Telecommunication Services
2	NEWAsurion Corp.	B+/Stable	IT Services
3	Altice Europe N.V.	NR	Diversified Telecommunication Services
4	Lumen Technologies Inc.	BB/WatchNeg	Diversified Telecommunication Services
5	Altice USA Inc.	BB/Stable	Media
6	TransDigm Inc.	B+/Stable	Aerospace and Defense
7	American Airlines Group Inc.	B-/Stable	Airlines
8	Endeavor Operating Co. LLC	B/Negative	Entertainment
9	Sinclair Broadcast Group Inc.	B/Stable	Media
10	Peraton Corp.	B+/Stable	Aerospace and Defense

Note: Ratings and CreditWatch/Outlooks as of April 5, 2022. Source: S&P Global Ratings. [U.S. BSL CLO Top Obligators And Industries Report: Fourth-Quarter 2021](#), Jan. 7, 2022.

Recovery Ratings

Chart 12

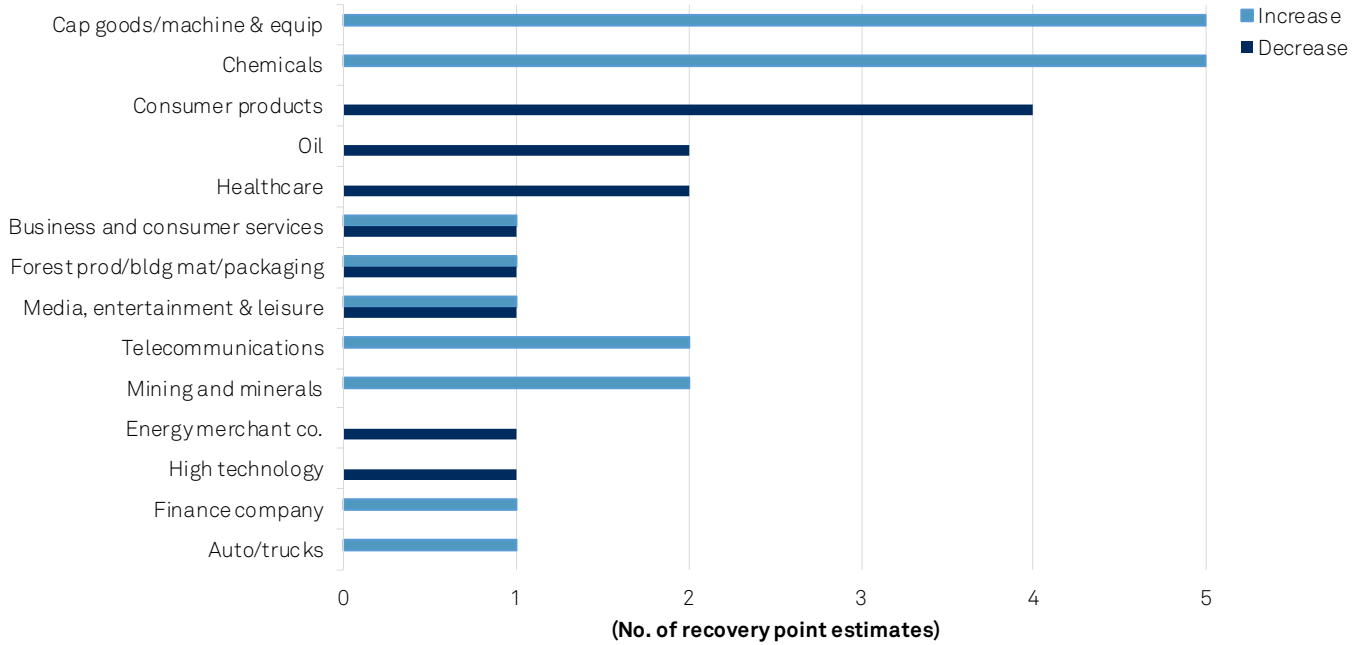
Net Changes In Recovery Point Estimates (Issuer Count)



Note: YTD data as of March 31, 2021, and 2022. Data only includes recovery point estimate changes equal to or greater than 15% for both senior secured/unsecured notes (e.g., the recovery point estimate changes to '3' [50%] from '4' [35%]). Source: S&P Global Ratings.

Chart 13

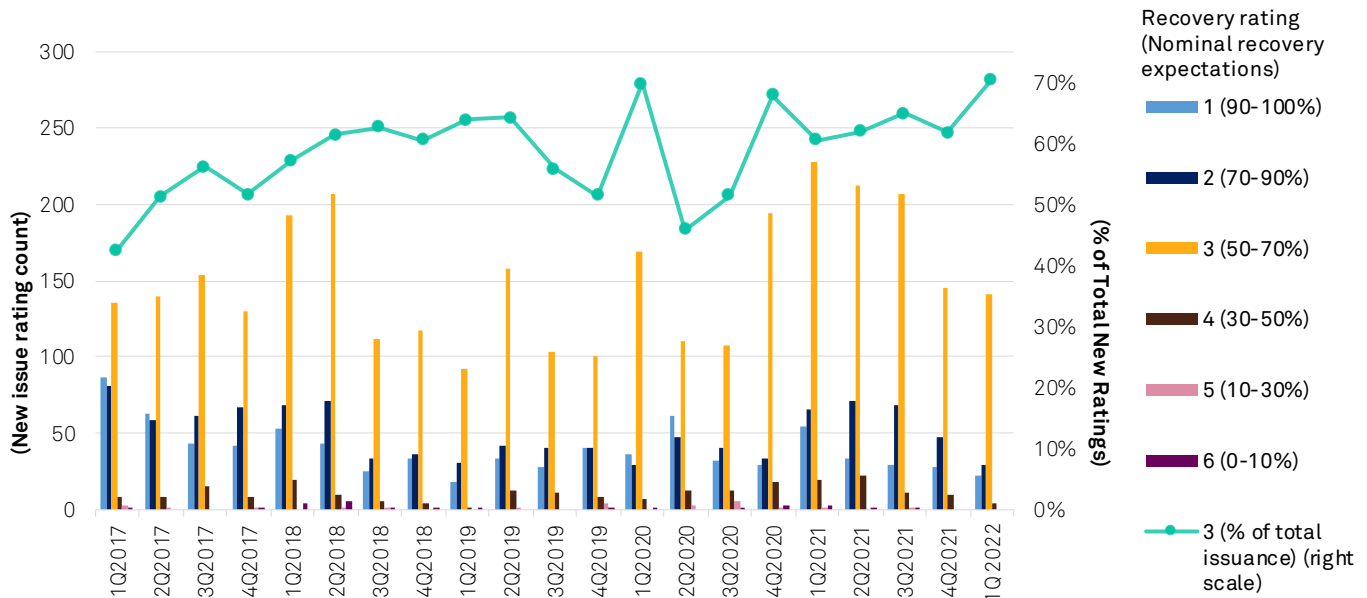
Recovery Point Estimate Changes By Industry Group (Issuer Count)



Note: YTD data as of March 31, 2022. Data only includes recovery point estimate changes equal to or greater than 15% for both senior secured/unsecured notes (e.g., the recovery point estimate changes to '3' [50%] from '4' [35%]). Source: S&P Global Ratings.

Chart 14

Recovery Ratings Distribution Of First-Lien New Issues (U.S. And Canada)



Source: S&P Global Ratings.

Sources

¹ [Quarter-On-Quarter Default Totals Inch Up](#), April 4, 2022*

² [CLO Weekly Review](#), March 29, 2022*

³ [U.S. BSL CLO Top Obligors And Industries Report: Fourth-Quarter 2021](#), Jan. 7, 2022*

Related Research

- [Global Leveraged Finance Handbook Provides Unique Insights Into Challenging Questions](#), April 5, 2022*
- [Leveraged Finance: Beyond The Term Sheet: Analysis Of LIBOR Transition Language Within Executed Credit Agreements](#), Feb. 10, 2022*
- [A Credit-Cycle Turn Could Expose Vulnerabilities In The Middle Market](#), Feb. 9, 2022*
- [EBITDA Addbacks Continue To Stack](#), Feb. 8, 2022*
- [Recovering From COVID-19: Why The Timing Of Bankruptcy And Emergence Matters For Debt Recovery](#), Feb. 7, 2022*
- [U.S. Leveraged Finance Q4 2021 Update: Are 'B-' Firms Resilient To Rate Hikes? And Leverage And Recovery Updates](#), Jan. 31, 2022*
- [U.S. Corporate Credit Outlook 2022: New Year, New Risks \(Beyond, Of Course, Inflation\)](#), Jan. 31, 2022*
- [North American Speculative-Grade Corporates Have A Whole Lotta Liquidity \(And Upgrades\)](#), Dec. 14, 2021*
- [U.S. Leveraged Finance Q3 2021 Update: Leverage Is Getting Better \(Almost\) All The Time](#), Oct. 21, 2021*
- [Why 'CCC' Rated Companies Have Risen And Default Rates Have Not](#), Oct. 19, 2021*
- [Risky Credits: Upgrade Potential Is Highest Among U.S. Media And Entertainment 'CCC' Issuers](#), Sept. 16, 2021*
- [Dial M For Merger: Low U.S. Interest Rates Spark A Record Wave Of Private M&A](#), Aug. 26, 2021*
- [A Closer Look At How Uptier Priming Loan Exchanges Leave Excluded Lenders Behind](#), June 15, 2021*

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