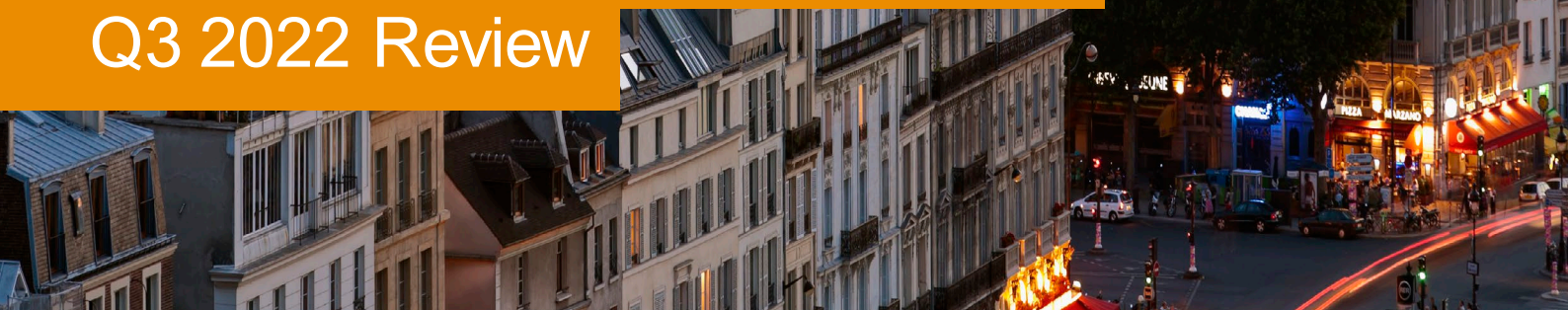




Debt Watch Europe

Q3 2022 Review



Corporate Debt Activity

197 Total corporate debt deals in Q3 2022

€122bn Total corporate debt raised in Q3 2022

€114bn Raised in Investment Grade deals in Q3 2022

€8bn Raised in High Yield deals in Q3 2022

Overview

The slow down in the European corporate bond market continued in the third quarter of 2022 as markets continue to be heavily impacted by high inflation, caused by supply constraints and the war in Ukraine. This has had a negative impact on economic growth in Europe. There were 197 deals and c.€122bn raised in Q3 2022; lower than Q2 2022 in terms of number of deals raised during the quarter (248 deals by comparison), and in comparison to the c.€152bn corporate debt raised in Q2 2022. This was also significantly lower than the 297 deals and c.€183bn raised in Q3 2021.

In the challenging economic environment, high yield bond issuances continued to dwindle in Q3 2022 as borrowing costs continued to rise with the Bank of England, European Central Bank and the Federal Reserve all increasing interest rates in Q3 2022. There were only 26 high yield bond issuances in Q3 2022 and c.€8bn raised, the lowest for any quarter since 2018. Half of the issuances occurred in September after the usual fall-off in activity during the summer months, with 12 of the 13 issuances priced between 1 September 2022 and 16 September 2022. There were no issuances with a triple-C rating or below in Q3 2022 as investors avoided taking on additional risk. This quarter also saw double-digit yields as 888 Acquisitions Ltd raised c.€596m in relation to its takeover of William Hill's European operations at an average yield-to-maturity at issuance of 11.6%.

The average yield-to-maturity at issuance continued to increase across all investment grade and high yield rated bonds in Q3 2022 compared to Q2 2022. The credit spread between BBB rated and BB rated bonds widened to 3.1% in Q3 2022 compared to 2.3% in Q2 2022 as investors avoided riskier assets and the credit spread increased by more than 1.5% in comparison to Q3 2021.

At the end of September the UK Chancellor's mini-Budget focusing on tax cuts caused UK government bonds to plunge. This led to an unprecedented rise in bond yields. As the value of gilts and corporate bonds fell, investors were forced to sell these assets, in order to raise cash. This pushed gilt prices even lower and yields even higher, and 30-year gilt yields reached its highest level in 20 years at 5.04%. After a period of some turbulence, the Bank of England intervened, which helped to stabilise the markets. The Bank of England announced bond purchases of up to £65bn, resulting in the biggest ever one day drop in the 30-year yields to 4.01% and helped to correct some of the volatility seen in the immediate days after the mini-budget.



Corporate Debt Activity (continued...)

Investment Grade

Activity in the investment grade market continued to drive debt market activity in the quarter. Q3 2022 saw 171 deals and c.€114bn raised, however this was a moderate drop in activity compared to the second quarter, which saw 211 deals and c.€139bn raised and lower than the 213 deals and c.€145bn raised in Q3 2021. Activity slowed during July and August as is usual for the summer months, with 18 and 66 deals completed, before picking back up in September with 87 deals. There were no investment grade issuances in the second half of September on a UK exchange due to turbulence in the UK markets.

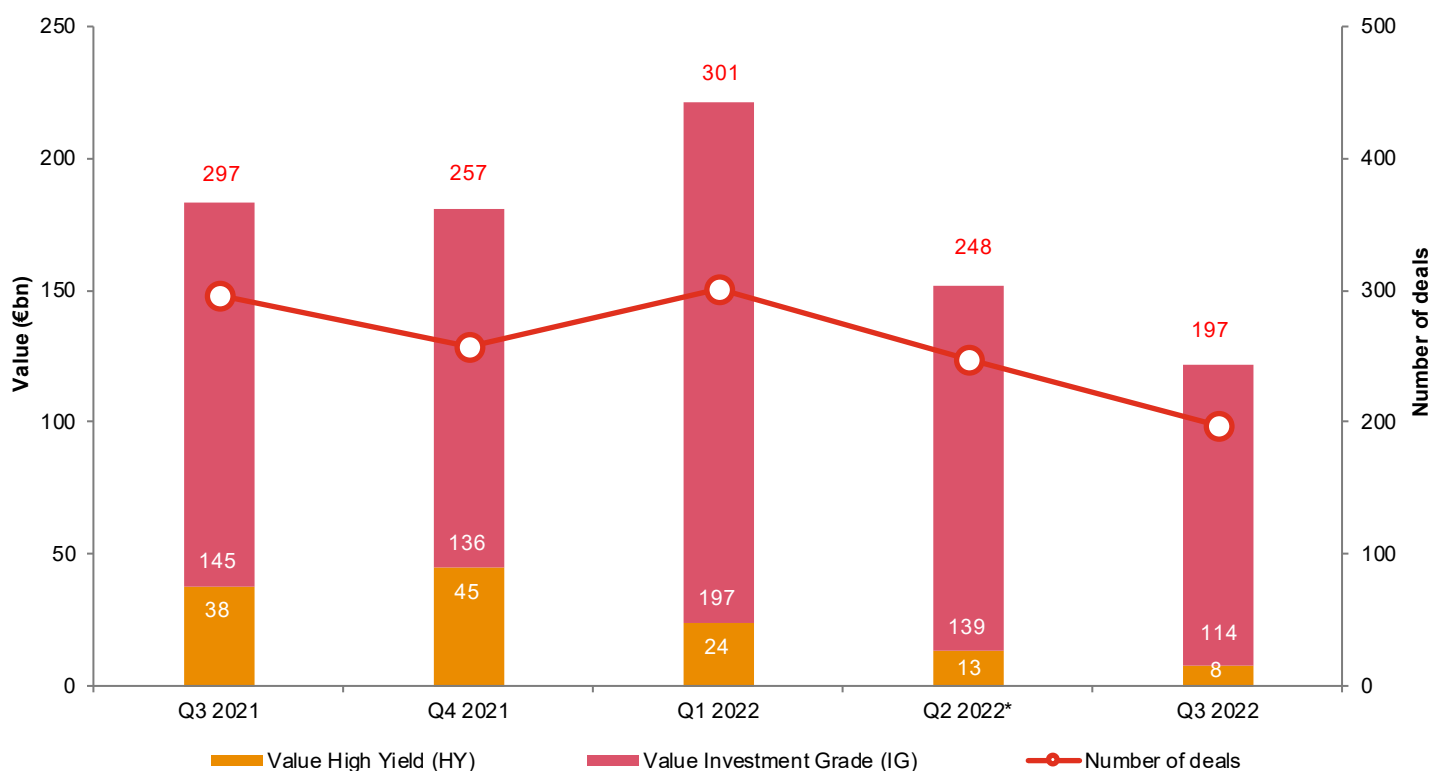
Yields on bonds continued to increase sharply and spreads widened compared to previous quarters for investment grade bonds. Of note, MUFG had the highest issuance of the quarter, raising c.€4.4bn at an average yield-to-maturity at issuance of 5.29%. This is a significant contrast to the previous quarter's highest issuance from TenneT Holdings which raised c.€3.8bn at an average yield-to-maturity at issuance of 2.33%.

High Yield

In Q3 2022 there were 26 deals and c.€8bn raised in comparison to 37 deals and c.€13bn raised in Q2 2022. This was significantly lower than the 84 deals and c.€38bn raised in Q3 2021. Only issuers that were refinancing or with sufficient liquidity in order to repay debts and meet the higher coupon obligations were able to access the high yield bond markets. Verisure Holding AB managed to successfully raise €500 million of debt as part of its refinancing however at an average yield-to-maturity at issuance of 9.25% to attract investors.

Whilst there are high levels of liquidity due to pent up demand, investor demand for riskier high yield bonds has continued to reduce. With high inflation, rising interest rates and economic uncertainty, investors are worried about default risks as borrowing costs rise.

Corporate debt activity by quarter



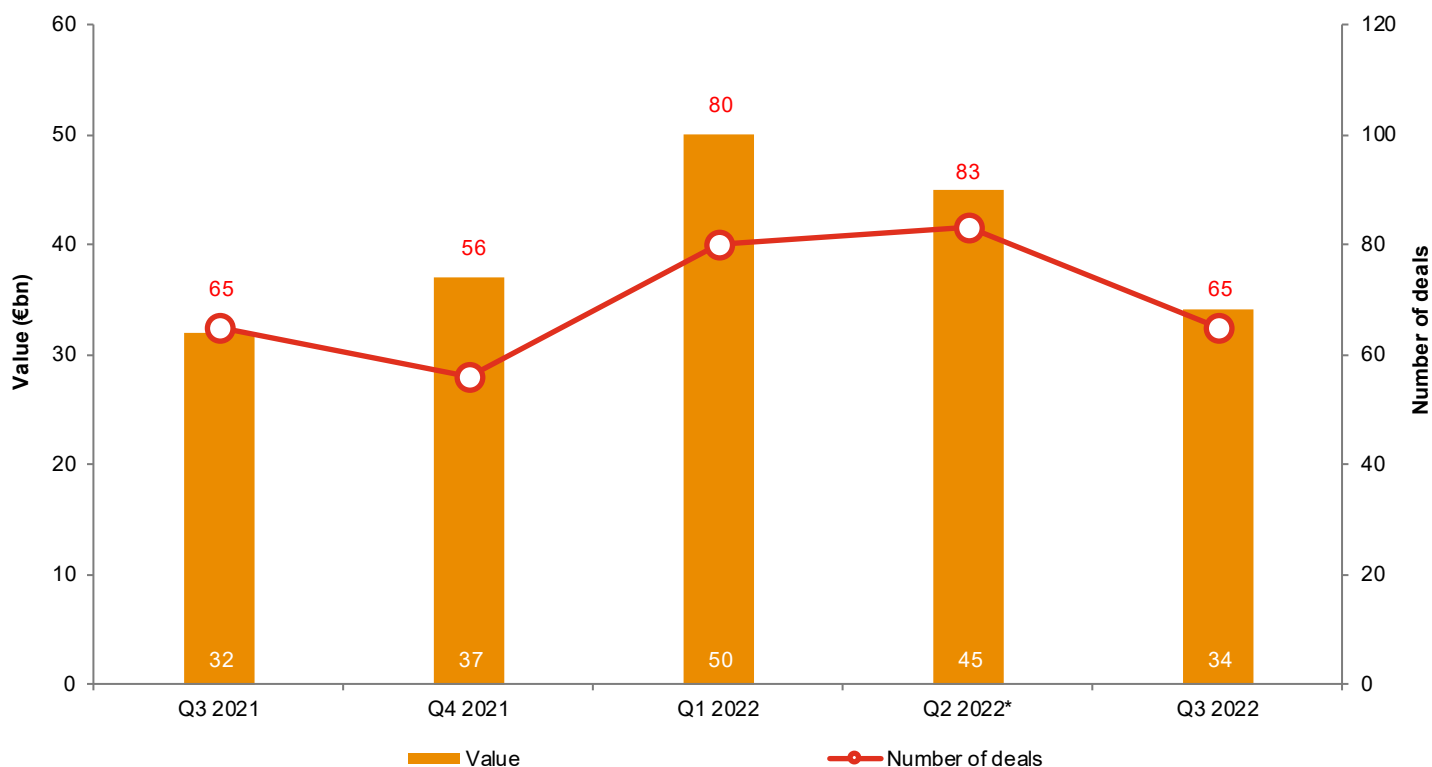
Corporate Debt Activity (continued...)

Green/ESG bonds

The current economic uncertainty also weighed in on the Green/ESG bond market, which saw a slow down in the quarter. There were 65 deals and c.€34bn raised in comparison to the previous quarter, which saw 83 deals raising c.€45bn. The largest green bond issuance in the quarter was by Orsted A/S, the Danish clean energy company and a seasoned sustainable bond issuer. They raised c.€2bn in a three tranche-deal in September 2022 rated BBB+. Another deal of note was Amprion GmbH, which made its debut sustainable bond issuance in a dual tranche listing raising c.€1.8bn green bond in September 2022 and the proceeds will be used for transformation and expansion of electricity grids in Germany.

Activity in Q3 2022 is more in line with activity in Q3 2021, which saw 65 issuances raising c.€32bn in proceeds. Overall there has been a slight cooling in the Green/ESG bond sector, reflected in the increased maturity of the market and its investors who have raised questions around the ESG and green credentials of some offerings. However, new and existing issuers continue to factor in green and ESG elements into their offerings, suggesting that there is still a good appetite for these instruments.

Green/ESG bonds activity by quarter**

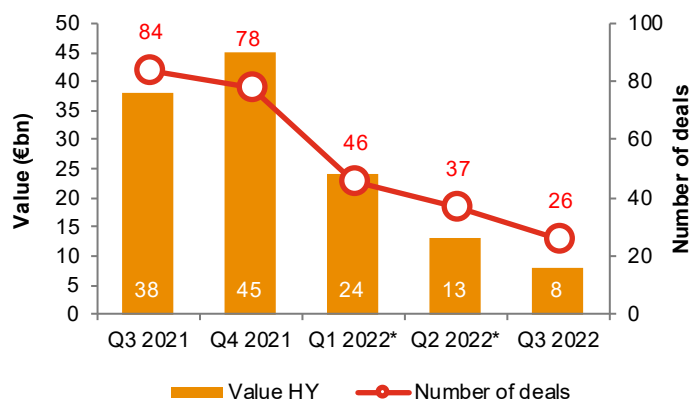


** Green/ESG bonds includes Social, Sustainable and Green bonds

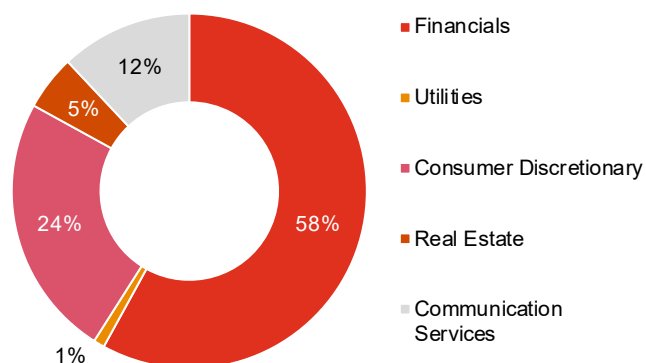
High Yield

(Rated BB+ (inclusive) and below)

HY activity by quarter



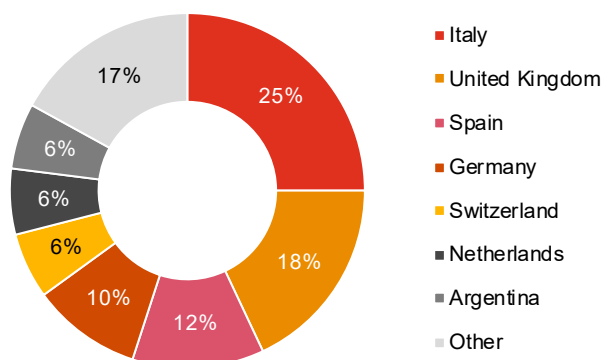
HY by sector Q3 2022



Top ten HY issues Q3 2022

Pricing date	Ten largest HY issues Q3 2022	Value (€m)	Sector	Listing	Nationality of operations	Credit rating (S&P)	YTM (%)
Aug-22	LloydsBanking Group	875	Financials	Irish Stock Exchange-All Market	United Kingdom	BB-	8.50
Jul-22	888 AcquisitionsLtd	596	Consumer Discretionary	TISE-The International Stock Exchange	United Kingdom	NR	11.59
Sep-22	Banco de Credito Social Cooperativo - BCC	500	Financials	Irish Stock Exchange-All Market	Spain	BB	8.00
Sep-22	Verisure Holding AB	500	Consumer Discretionary	Luxembourg StockExchange	Switzerland	B	9.25
Aug-22	Banco de Sabadell SA	499	Financials	Irish Stock Exchange-All Market	Spain	BB+	5.45
Aug-22	Commerzbank	499	Financials	Frankfurt Stock Exchange-General	Germany	BB+	6.53
Sep-22	Banco BPM SpA	498	Financials	Luxembourg StockExchange	Italy	NR	6.10
Sep-22	Koninklijke KPN NV	496	Communication Services	Irish Stock Exchange-All Market	Netherlands	BB+	
Jul-22	Patagonia Holdco LLC	492	Communication Services	TISE-The International Stock Exchange	Argentina	B+	7.50
Sep-22	Intesa Sanpaolo SpA	462	Financials	Luxembourg StockExchange	Italy	BB+	8.50

HY by issuer operations nationality Q3 2022



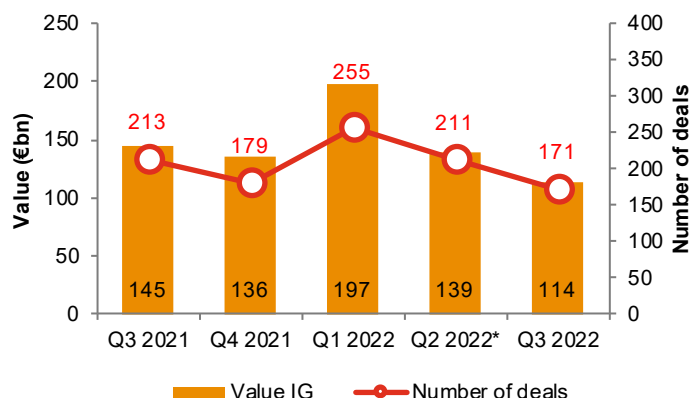
Average yield-to-maturity by issue rating (%)

S&P rating	Q3 2022	Q2 2022	Q3 2021
BB	7.30	5.69	2.71
B	8.83	8.62	5.26
CCC	-	-	5.21

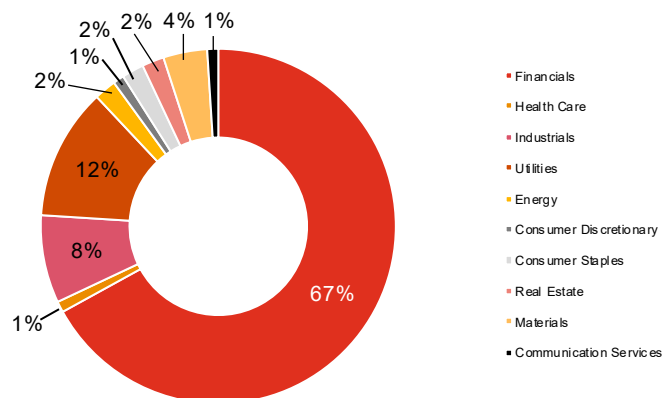
Investment Grade

(Rated BBB- (inclusive) and above)

IG activity by quarter



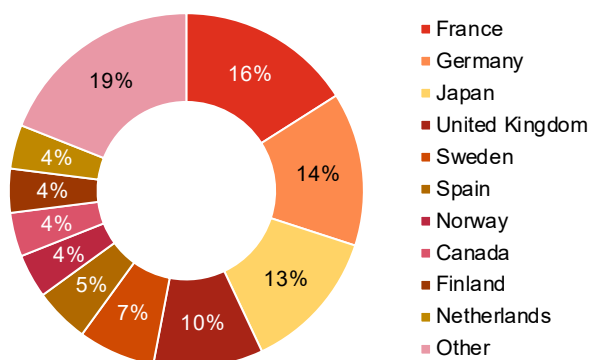
IG by sector Q3 2022



Top ten IG issues Q3 2022

Pricing date	Ten largest IG issues Q3 2022	Value (€m)	Sector	Listing	Nationality of operations	Credit rating (S&P)	YTM (%)
Sep-22	MUFG	4,435	Financials	Luxembourg StockExchange	Japan	A-	5.29
Jul-22	MUFG	4,418	Financials	Euro MTFLuxembourg Stock Exchange	Japan	A-	4.93
Aug-22	Siemens Financieringsmaatschappij NV	2,995	Industrials	Luxembourg StockExchange	Germany	A+	2.66
Jul-22	Toronto-Dominion Bank	2,250	Financials	London StockExchange	Canada	A	2.84
Sep-22	Banque Federative du Credit Mutuel SA - BFCM	2,241	Financials	Paris	France	A+	3.45
Sep-22	Nordea Bank Abp	1,999	Financials	Irish Stock Exchange-All Market	Finland	AA-/A	5.12
Sep-22	Orsted A/S	1,998	Utilities	Luxembourg StockExchange	Denmark	BBB+	4.60
Aug-22	BNP Paribas	1,965	Financials	Paris	France	BBB-	7.75
Sep-22	Amprion GmbH	1,800	Utilities	Luxembourg StockExchange	Germany	NR	3.71
Sep-22	Mizuho	1,763	Financials	Euro MTFLuxembourg Stock Exchange	Japan	A-	5.54

IG by issuer operations nationality Q3 2022



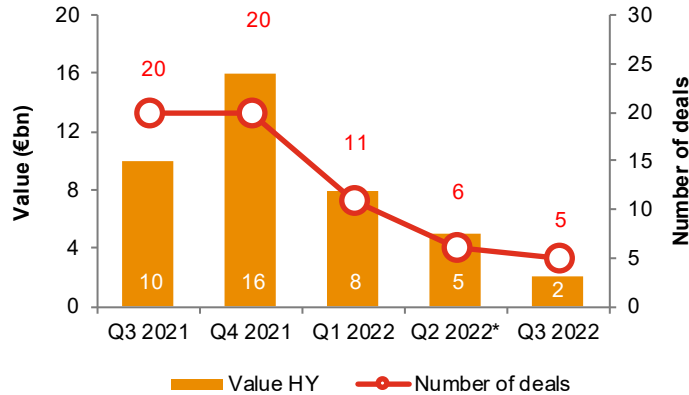
Average yield-to-maturity by issue rating (%)

S&P rating	Q3 2022	Q2 2022	Q3 2021
AAA	3.85	3.45	0.99
AA	4.03	2.90	0.65
A	3.80	2.75	1.25
BBB	4.24	3.45	1.22

UK Focus

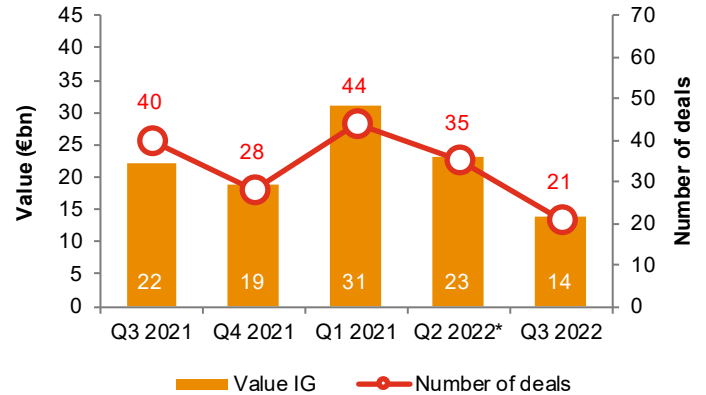
High Yield (rated BB+ (inclusive) and below)

UK HY activity by quarter

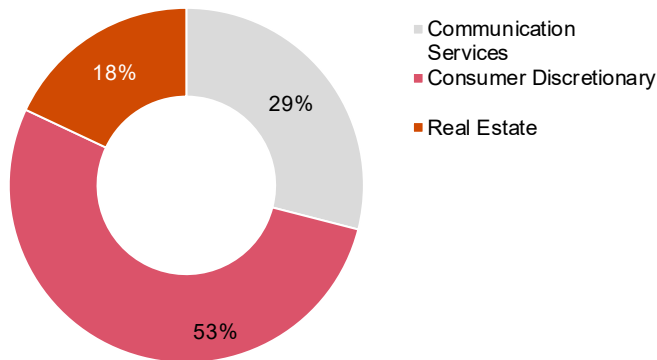


Investment Grade (rated BBB- (inclusive) and above)

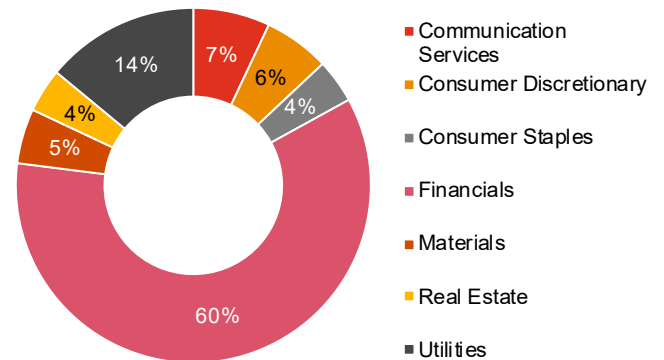
UK IG activity by quarter



UK HY by sector Q3 2022



UK IG by sector Q3 2022



Top five UK HY issues Q3 2022

Pricing date	Top five HY issues	Value (€m)	Listing	Credit rating (S&P)	YTM (%)
Jul-22	888 Acquisitions Ltd	596	TISE-The International Stock Exchange	NR	11.59
Jul-22	Patagonia Holdco LLC	492	TISE-The International Stock Exchange	B+	7.50
Sep-22	PD Sukuk Ltd	300	London Stock Exchange	B+	
Jul-22	PrestigeBidCo GmbH	268	TISE-The International Stock Exchange	B+	
Jul-22	PrestigeBidCo GmbH	30	TISE-The International Stock Exchange	B+	

Top five UK IG issues Q3 2022

Pricing date	Top five IG issues	Value (€m)	Listing	Credit rating (S&P)	YTM (%)
Jul-22	Toronto-Dominion Bank	2,250	London Stock Exchange	A	2.84
Sep-22	Western Power Distribution (East Midlands) plc	1,000	London Stock Exchange	BBB+	3.74
Aug-22	NatWest Group plc	1,000	London Stock Exchange	BBB	4.07
Aug-22	British Telecommunications plc	996	London Stock Exchange	BBB	3.14
Aug-22	Lloyds Banking Group	993	London Stock Exchange	BBB+	3.23

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 July and 30 September 2022. All market data is sourced from Dealogic and has not been independently verified by PricewaterhouseCoopers LLP.

Data comparability to previous Debt Watch

*The Q2 2022 market data in this publication is sourced from Dealogic as at 3 October 2022. Accordingly there may be differences to Q2 2022 data presented in Q2 2022 Debt Watch as the data was run as at 4 July 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.

The classification of Green/ESG bonds are corporate bonds which have one or more tranches labeled as Social, Sustainable or Green.

Sources: Dealogic, LCD, Capital IQ and PwC analysis.

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