FitchRatings

Corporates
Leveraged Finance
EMEA/United States

U.S., Europe Semi-Annual Default Insight: 1H23

Macroeconomic Pressures and Tight Lending Environment Drive Default Uptick

High-Yield Default Rates

Year	U.S. (%)	Europe (%)
June 2023 TTM	2.3	1.6
2023F	4.5–5.0	2.5
2024F	3.5–4.5	4.0
2023–2024F	**8.75**	**6.5**

F – Forecast
Source: Fitch Ratings

Institutional Leveraged Loan Default Rates

Year	U.S. (%)	Europe (%)
June 2023 TTM	3.0	1.7
2023F	4.0–4.5	4.5
2024F	3.5–4.5	4.0
2023–2024F	**8.25**	**8.5**

F – Forecast
Source: Fitch Ratings

Related Research

U.S., Europe Semi-Annual Default Insight Data File: 1H23 (July 2023)

Restrictive European Primary Leverage Finance Offsets Secondary Market Confidence (July 2023)

Global Economic Outlook (June 2023)

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U.S., Europe Default Rates Rise in Tandem

Defaults from corporate bond and loan issuers in the U.S. and Europe will increase into 2024. Higher borrowing costs and tighter lending conditions amid deteriorating growth prospects present meaningful challenges to the ability of weaker issuers to address refinancing and liquidity needs.

The July TTM U.S. high-yield (HY) and institutional leveraged loan (LL) default rates stand at 2.6% and 3.0%, up significantly from 0.8% and 1.0%, respectively, from mid-2022. Fitch Ratings anticipates these levels will continue to increase as issuers face persistent macroeconomic challenges and higher debt costs. Fitch's 2023 HY and LL default rate forecasts stand at 4.5%–5.0% and 4.0%–4.5%, respectively. Default forecasts for 2024 for both HY and LL both range at 3.5%–4.5%.

The TTM European LL default rate is 1.7% and, based on the number of loan issuers that have engaged restructuring advisors, we forecast it rises to 4.5% by YE 2023. The developed-market European HY bond default rate was only 1.6%, and we estimate that it will rise to 2.5% at YE 2023, and 4% in 2024. Severe-case forecasts for YE 2023 are 6.0% for European LL and 4.0% for European HY. Our cumulative 2023–2024 default rate comes to 6.5% for European HY and 8.5% for European LL, both below the respective 19% and 14% rates achieved over the 2007–2009 period.

Macro Concerns Persist

Fitch continues to predict the Federal Reserve's tightening to push the U.S. economy into a recession in 4Q23–1Q24, albeit mild. The Fed once again raised interest rates by 25bp in July after a pause in June, and an additional rate hike is likely by September. A recessionary environment may prove particularly challenging for sectors such as leisure and entertainment where discretionary demand tends to contract as consumers' financial flexibility is constrained. Leisure/entertainment is the second largest sector on our U.S. *Top Market Concern Loan* list at 11% by volume.

U.S. core inflation remains high, likely precluding any cuts in the federal funds rate until March 2024. The rapid increase in rates weighs on at-risk issuers, particularly those with variable-rate capital structures and/or issuers with near-term maturities that require refinancing.

We expect benchmark rates to peak in 2023 at 5.25% and 4.5% for the U.K. and eurozone, respectively. Highly leveraged credits in interest-rate sensitive sectors remain vulnerable to approaching maturities, as 31% of European the HY market will need to refinance 2025 maturities and 34.4% of these bonds are rated 'B' or below. In contrast, only 18% of European leveraged loan mature by 2025, although 88% of them are 'B' or below.

Rising Interest Rates Impact Markets

As growth slows and benchmark policy rates remain high into 2024, we expect stressed loan borrowers to engage current lenders in amend-and-extend (A&E) transactions that are likely to trigger our distressed debt exchange (DDE) criteria. We determine whether a transaction triggers our DDE criteria if two central conditions are met: 1) the transaction results in a material reduction of terms, such as a maturity extension or the conversion of cash-pay obligations to payment-in-kind; and, 2) we view the transaction as undertaken to avoid default.

European HY bond issuers have greater 'BB' volumes, and more vulnerable 'B–' rated bond issuers remain insulated from rising interest expense burdens due to historically low fixed-rate coupons arranged prior to the recent rate cycle. However, the bond market has more consumer and industrial cyclicals, and primary market coupons remain prohibitive for many borrowers.

We expect DDEs from bond issuers to principally arise from exchange offers or deeply discounted debt buybacks. Over the last 12 months, DDEs accounted for 22 out of 40 defaulted instruments, or 55%, of defaulted credits in EMEA.

U.S. Default Rate Highlights

As of July, the TTM HY default rate climbed to 2.6%, more than triple the 0.8% in July 2022. YTD defaults tallied USD24.0 billion, significantly higher than last year's USD9.5 billion, though still well below 2020's USD57.4 billion. Default volume peaked in March as Diamond Sports and SVB Financial Group filed for bankruptcy. While it cooled down slightly in April, volume has ticked up again since May. Diamond Sports and SVB, along with Incora's bankruptcy filing in June and Exela Technologies' distressed debt exchange (DDE) in July, account for 51% of the YTD HY volume.

For leveraged loans, July TTM default rate stands at 3.0%, up from 1.0% one year earlier. YTD Defaults tripled to USD36.6 billion by volume and 43 issuers by count, led by Envision Healthcare and Diamond Sports' bankruptcy filing, and Travelport's DDE, with default volume across all three issuers totaling USD11.8 billion or 32% of YTD volume. TTM default rate for large middle market (LMM) was 4.3%, which is 1.4% higher than the broadly syndicated loan (BSL) market. Although historical loan default rates for MM and BSL have moved in lockstep, MM firms are more vulnerable to rising interest rates and recessionary conditions given their predominantly variable-rate debt structures combined with historically low interest rate hedging, smaller scale and higher leverage.

U.S. Sectors Driving Higher Default Rates

The rise in the overall LL default rate is driven by healthcare/pharmaceutical, the second-largest sector in the LL market. The sector rate rose to 6.6% in July from 1.0% last year, driven by Envision Healthcare's USD5.9 billion default. Other over-USD1 billion defaults include Endo International plc, GenesisCare USA, Inc. and LifeScan, Inc. The sector comprises the largest amount of *Top Market Concern Loan* list at 35% by par value outstanding. Defaults from sizeable issuers such as Global Medical Response Inc., Team Health Holdings, Inc. ('CCC') and Bausch Health Companies ('CCC') could significantly impact the default rate, with all three issuers contending with macroeconomic stress and looming debt maturities. Global Medical is facing inflation related to higher fuel costs and pilot wages, alongside a significant debt maturity in 2025, while Team Health's higher operating costs related to higher-than-normal contract labor and a shorter flu season has impacted margins and liquidity. Team Health is also contending with non-extended term loan debt due February 2024, and a potential springing maturity of extended term loan to November 2024 if certain bond issues are not paid off by that time. Bausch Health also has USD3.3 billion of combined loan and bond issuances due in 2025 and 2026.

Leisure/entertainment TTM LL default rate registered 7.3% in July, with Cineworld and Travelport's defaults contributing USD6.2 billion, or 88% of the sector's TTM volume. The sector represents 11% of the Top list volume, and is particularly vulnerable to macroeconomic pressures as discretionary demand is likely to see a pull-back as consumers face challenging environments. AMC Entertainment, Equinox Holdings and ClubCorp Holdings each has over USD1 billion of institutional loans at risk of default within the coming two years.

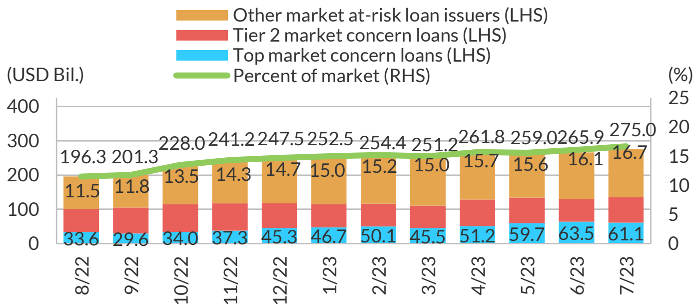
Healthcare/pharmaceutical is also the biggest default driver in the HY market. The sector's TTM default rate rose to 8.8% as of July, up from 0.1% last year, propelled by Bausch's USD5.6 billion of DDE, Endo International's USD2.0 billion of bankruptcy filing in 3Q22 and the recent Mallinckrodt's missed interest payment on its roughly USD1 billion of notes. The sector comprises 35% of the T*op Market Concern Bond* list volume, of which 70% stems from Bausch's outstanding bonds.

Retail TTM HY default rate tallied 5.3% as of July, up from no recorded HY volume one year earlier. The USD3.7 billion of retail defaults drove overall HY rate up by about 0.3%, with Bed, Bath & Beyond Inc., Party City Holdco Inc. and Shutterfly, LLC each contributing over USD1 billion of volume. With respect to future defaults, Carvana's recently announced DDE is slated to eliminate a meaningful portion of its debt, and the remaining retail issuers only comprise 5% of the *Top* List.

U.S. Market Concern Loans, Bonds Climb

Fitch's *Market Concern* list consists of our *Top*, *Tier 2* and *Other Market At-Risk Issuer* categories, which play a significant role in our overall and sector default forecasts. Key components for inclusion on the *Market Concern* list include low ratings, discounted secondary market bid levels, adverse market information/events and/or fundamental coverage analyst input. Issuers on our *Tier 2 Market Concern* list have additional measures of financial flexibility, greater liquidity options and/or potentially more tenable capital structures than issuers on the most worrisome *Top* list. We publish the *Top* and *Tier 2* lists alongside our monthly HY and LL Default Insight reports.

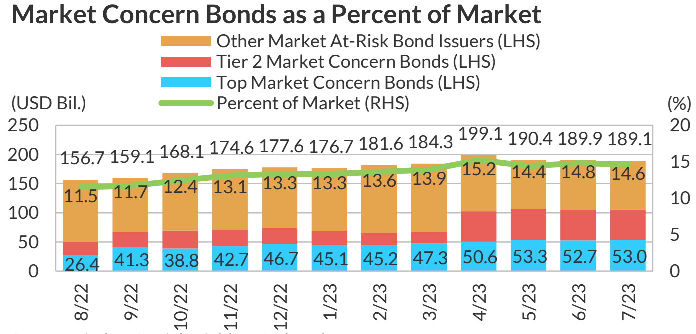
Market Concern Loans as a Percent of Market



Source: Fitch U.S. Leveraged Loan Default Index

Our *Market Concern Loans* total increased materially over the last several months. The total amount stands at USD275.0 billion, up 9% from end-1Q23. The *Top Market Concern Loan* list increased to USD61.1 billion from USD45.5 billion. This list represents the riskiest issuers that are likely to default during the remainder of 2023 or in 2024. Healthcare/pharmaceutical, leisure/entertainment and technology account for 55% of the total. Similarly, the *Tier 2 Market Concern Loans* has risen materially, hitting USD74.1 billion, a 13% increase qoq.

Market Concern Bonds as a Percent of Market



Source: Fitch U.S. High Yield Default Index.

Fitch's *Market Concern Bonds* total reached USD189.1 billion, a 37% jump from 1H22. The *Top Market Concern Bond* list reached USD53.0 billion, following the additions of Mallinckrodt Pharmaceuticals and Global Medical Response, Inc., along with the transition of roughly 20 issuers to the *Top* list from Tier 2 or Tier 3 list in 2Q23. The most sizeable movements include Vericast Communications, Inc, Radiate Holdco LLC, Radiology Partners, FXI Holdings, WeWork Inc. and CURO Group Holdings. The *Top* list now comprises 28% of the *Market Concern Bonds* total, versus 26% at end-1Q23. Other Market At-Risk Bond volume fell 29% as more issuers were moved to the Tier 2 list as a result of heightened default risk.

U.S. Market Concern Highlights

Mallinckrodt has faced numerous challenges to debt service payments in the last two months. In June, it missed and then cured its first-lien secured debt interest payments, and on July 13 entered into a forbearance agreement with first- and second-lien bondholders after failing to cure another missed interest payment due mid-June. Concurrently, the company received an extension to Aug. 15 of the already deferred USD200 million opioid trust payment originally due in mid-June, and borrowed USD100 million from their ABL facility, 50% of total availability, to bolster liquidity. The Dublin, Ireland-based pharmaceutical manufacturer has faced ongoing headwinds from declining revenue from key franchises and a USD1.2 billion opioid litigation settlement payment obligation. Previously, Mallinckrodt filed for Chapter 11 on Oct. 12, 2020 and emerged in June 2023, with a reduction of USD1.3 billion of debt. The company has not indicated whether it intends to file for Chapter 11 protection again. If it were to do so, it would add USD1.74 billion to defaulted loan totals and USD816 million to defaulted bond totals. According to Advantage Data, first-lien secured loans are currently trading in the 75–76 range and first-lien bonds are pricing in the mid-80s, as of July 25.

Global Medical, a KKR & Co. backed medical transport service provider and June 2023 addition to the market concern list with USD3 billion of loans outstanding, continues to face significant headwinds stemming directly from macroeconomic stress. Pilot wage inflation and rising fuel cost have put downward pressure on operational growth and FCF. A significant portion of the company's debt, USD4.3 billion of USD5.4 billion of funded debt, is due in 2025, and is at risk of being refinanced on unfavorable terms given the current interest rate and capital markets environment, which will add significantly to interest expense.

At Home Group, a Hellman & Friedman LLC-owned home décor and home improvement retailer, continues to be constrained as it faces multiple macroeconomic headwinds from high inflation, rising costs, and weakening demand in consumer discretionary sectors. Despite the completion of a DDE in May 2023 for USD442 million senior unsecured notes due 2029, the company's capital structure remains challenged given revenue deterioration within a highly competitive market. At Home Group bonds and loans of concern total USD1.4 billion, with retail being the second-largest sector across loans and bonds. At Home Group's term-loan B is trading around 63.5 as of July 25, according to Advantage Data.

Bausch Health, the largest issuer by debt volume on our *Market Concern Bond List* of USD12.7 billion, and the fourth-largest issuer by debt volume at USD2.44 billion)on the *Market Concern Loan* list, is also contending with challenges on various levels. Despite closing on a five-year USD600 million accounts receivable facility from KKR on July 7, 2023 which shored up weak liquidity, the refinancing of significant debt maturities of USD3.3 billion of loan and bond debt due in 2025 and 2026 will likely raise interest expense and put pressure on FCF. Additionally, Bausch faces a potentially large decline in revenue from ongoing patent litigation of key product Xifaxan, as well as additional declines in operational and financial performance and product diversity from the spin-off of subsidiary Bausch + Lomb. In September 2022, the company completed a DDE on USD4 billion of HY debt, which was viewed as a default, and has been on the *Market Concern* list since July 2022. Bausch's term-loan B is trading around 77.5 as of July 25, according to Advantage Data.

Fitch's complete *Top Market Concern* and *Tier 2 Market Concern* lists can be found in the *Appendix*.

Overview of Recent U.S. Defaults

Cinema advertising company National CineMedia LLC filed for Chapter 11 on April 11, 2023 in Houston, seeking to implement the terms of a restructuring support agreement (RSA) supported by holders of over 66.6% of the company's prepetition secured funded indebtedness.

National CineMedia's Chapter 11 plan was confirmed less than three months after filing. Under the confirmed plan, the company will equitize its secured debt representing an approximate recovery of 43% for secured debt holders. More than USD700 million of unsecured claims will essentially be wiped out. The company intends to exit bankruptcy in August or September with a new USD55 million exit financing facility, which will be used to fund operations and growth initiatives.

Healthcare company Lannett Co. Inc. filed for bankruptcy on May 3, 2023 after executing an RSA supported by second-lien lenders and more than 80% of its 7.75% senior secured notes due 2026. The company emerged from Chapter 11 in June after handing the keys over to its prepetition lenders and reducing debt by approximately USD600 million. Based on the company's estimated enterprise valuation of USD325 million, first-lien noteholders are estimated to recover 91% of their claims. Second-lien lenders are estimated to receive 5% recoveries.

Self-service transaction and payment terminal company Diebold Nixdorf filed Chapter 11 on June 1, 2023 in connection with an RSA supported by approximately 80% of the company's super-priority credit facility, 80% of first-lien term loan, 80% of first-lien notes and more than 50% of second-lien notes, seeking to implement a restructuring that will significantly reduce leverage and provide adequate liquidity.

The company's Chapter 11 plan was confirmed on July 12, six weeks after filing for bankruptcy. According to court documents, first-lien creditors are expected to recover approximately 38.4%, while USD400 million of super-senior term loan lenders will see 100% recoveries. Second-lien and unsecured noteholders are expected to receive approximately 5% recoveries. The bankruptcy was funded with a USD1.2 billion debtor in possession (DIP)-to-exit facility which, among other things, will fund the repayments to the super-senior term loan lenders as well as the company's asset backed loan (ABL) facility.

Digital communications company, Avaya Holdings Corp. and certain of its subsidiaries filed for bankruptcy protection in Houston on February 14, 2023, with an RSA backed by over 90% of secured lenders. In connection with the filing, the company received approval of a USD500 million DIP term loan facility and a USD128 million DIP ABL facility. Avaya received confirmation of its Chapter 11 reorganization on March 22.

The company completed its Chapter 11 restructuring on May 1, 2023, and exited bankruptcy with a new capital structure that includes an USD810 million term loan, USD650 million in liquidity and a net leverage ratio of less than 1x. Under the terms of the restructuring, ABL claims were paid in full in cash and first-lien term loan claims received a combination of exit term loans and 100% of the new common equity.

Envision Healthcare filed Chapter 11 on May 15, 2023, after executing an RSA signed by creditors holding more than 60% of the company's USD7.7 billion in debt. Per the terms of the RSA, Envision will delever by approximately USD5.6 billion, with the lion's share of its pre-bankruptcy debt being equitized or cancelled.

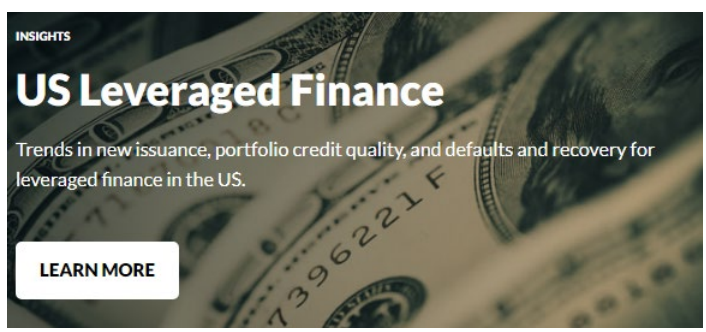
Notably, the third- and fourth-out term loans are deemed to be unsecured under the RSA and any recovery is contingent upon the third- and fourth-out term loans voting in favor of the plan. In that instance, the third- and fourth-out term loans would recover a share of warrants convertible into up to 5% of new common equity. If the third- and fourth-out term loans vote against the plan, they will receive no recovery. According to sources, the filing will wipe out private equity firm KKR & Co. Inc.'s investment in Envision providing no recovery to equity. KKR invested over USD5 billion when it took Envision private back in 2018.

Retailer Bed Bath & Beyond filed Chapter 11 on April 23, 2023, after its 11th hour effort to raise fresh cash failed to create sufficient liquidity. The company disclosed it intends to wind down operations "while conducting a limited marketing process to solicit interest in one or more sales of some or all of its assets." The bankruptcy came on the heels of reports that several thousand couples with weddings slated for this year removed Bed Bath & Beyond from wedding registries as consumer confidence that the retailer would be operating this spring waned. The company was approved for a USD240 million DIP facility to be provided by Sixth Street Specialty Lending.

Sports broadcasting company Diamond Sports Group filed Chapter 11 on March 14, 2023 in Houston with an RSA backed by 34% of first-lien lenders and the majority of second-lien and unsecured creditors. The RSA outlines a restructuring where Diamond Sports will delever by over USD8 billion and first-lien debt holders will see 100% recoveries. Non-first lien creditors will receive equity in the company, 92% of which will go specifically to second-lien creditors. Per court documents, the company expects to exit bankruptcy by YE 2023.

Australia-headquartered cancer treatment center operator GenesisCare filed Chapter 11 in the U.S. on June 1, 2023 with a goal of separating its U.S. operations from Australian, Spanish, and U.K. operations, and creating two platforms. The company has commitments for USD800 million in DIP financing, of which USD200 million is new money. The issuer intends to auction off its U.S. business as part of the bankruptcy. The sale and restructuring are expected to be completed before YE 2023.

Coin-operation game machine operator Lucky Bucks LLC filed for Chapter 11 in Delaware on June 9, 2023 in connection with an RSA supported by lenders holding 85% of the company's secured debt. The RSA provides for a full equitization of all of Lucky Bucks' secured debt as well as an USD82 million DIP facility. In a press release, the company noted "the recapitalization transaction, which remains subject to court and regulatory approval, will reduce Lucky Bucks' total secured debt by over USD500 million and enhance liquidity."



YTD U.S. Bond and Loan Defaults

Issuer	Amount Outstanding ($ Mil.)	Default Date	Default Source	Industry	Type
Party City Holdings Inc.	1,003.9	1/17/2023	Chapter 11 Filing	Retail	Bond
Cooper-Standard Automotive Inc.	607.4	1/18/2023	DDE	Automotive	Bond
Serta Simmons Bedding LLC	1,889.3	1/23/2023	Chapter 11 Filing	Consumer Products	Loan
Heritage Power LLC	485.0	1/24/2023	Chapter 11 Filing	Utilities, Power and Gas	Loan
AMC Entertainment Holdings	100.0	2/7/2023	DDE	Leisure and Entertainment	Bond
Riverbed Technology Inc	900.0	2/7/2023	Missed Payment	Technology	Loan
Lyons Magnus	285.0	2/7/2023	Missed Payment	Food, Beverage and Tobacco	Loan
KNB Holdings Corp.	355.6	2/8/2023	Chapter 11 Filing	Consumer Products	Loan
Premier Brands Group Holdings	325.0	2/9/2023	DDE	Retail	Loan
Avaya Inc.	1,000.0	2/14/2023	Chapter 11 Filing	Technology	Bond
Avaya Inc.	1,893.0	2/14/2023	Chapter 11 Filing	Technology	Loan
Altisource Solutions Sarl	247.2	2/14/2023	DDE	Technology	Loan
Akorn Operating Company LLC	370.0	2/23/2023	Chapter 7 Filing	Healthcare and Pharmaceutical	Loan
West Marine Inc.	520.0	2/28/2023	DDE	Retail	Loan
Bioplan	349.4	3/8/2023	Restructuring	Healthcare and Pharmaceutical	Loan
Yak Mat LLC	732.5	3/10/2023	Restructuring	Building and Materials	Loan
Loyalty Ventures Inc.	462.5	3/10/2023	Chapter 11 Filing	Technology	Loan
Diamond Sports Group LLC	4,783.5	3/14/2023	Chapter 11 Filing	Broadcasting and Media	Bond
Diamond Sports Group LLC	3,823.7	3/14/2023	Chapter 11 Filing	Broadcasting and Media	Loan
National CineMedia LLC	230.0	3/15/2023	Missed Payment	Broadcasting and Media	Bond
QualTek	361.0	3/16/2023	Restructuring	Services and Miscellaneous	Loan
SVB Financial Group	3,350.0	3/17/2023	Chapter 11 Filing	Banking and Finance	Bond
Checkout Holdings Corp	370.5	3/28/2023	Chapter 11 Filing	Broadcasting and Media	Loan
Travelport LLC	2,030.0	3/31/2023	DDE	Leisure and Entertainment	Loan
Wahoo Fitness	225.0	4/5/2023	Missed Payment	Leisure and Entertainment	Loan
Nautilus Power LLC	486.0	4/10/2023	DDE	Utilities, Power and Gas	Loan
National CineMedia LLC	400.0	4/11/2023	Chapter 11 Filing	Broadcasting and Media	Bond
National CineMedia LLC	307.0	4/11/2023	Chapter 11 Filing	Broadcasting and Media	Loan
CareerBuilder	175.3	4/19/2023	DDE	Services and Miscellaneous	Loan
Bed Bath & Beyond Inc.	1,029.9	4/23/2023	Chapter 11 Filing	Retail	Bond
Checkers Drive-In Restaurants Inc	264.5	4/25/2023	Missed Payment	Gaming, Lodging and Restaurants	Loan
Rodan & Fields, LLC	571.5	4/26/2023	DDE	Consumer Products	Loan
United Road Services Inc.	316.4	4/30/2023	DDE	Transportation	Loan
World Wide Packaging Inc.	130.1	4/30/2023	Missed Payment	Paper and Containers	Loan
First Republic Bank	800.0	5/1/2023	Missed Payment	Banking and Finance	Bond
FXI Holdings	504.7	5/1/2023	DDE	Chemicals	Bond
Lannett Co. Inc.	350.0	5/3/2023	Chapter 11 Filing	Healthcare and Pharmaceutical	Bond
WeWork Companies LLC	1,047.6	5/5/2023	DDE	Real Estate	Bond
Robertshaw Holdings	620.0	5/10/2023	DDE	Industrial/Manufacturing	Loan
Lifescan	1,315.0	5/12/2023	DDE	Healthcare and Pharmaceutical	Loan
Monitronics International Inc.	943.7	5/14/2023	Chapter 11 Filing	Services and Miscellaneous	Loan
Venator Materials Plc	354.0	5/14/2023	Chapter 11 Filing	Chemicals	Loan
Envision Healthcare	987.0	5/15/2023	Chapter 11 Filing	Healthcare and Pharmaceutical	Bond
Envision Healthcare	5,931.0	5/15/2023	Chapter 11 Filing	Healthcare and Pharmaceutical	Loan
At Home Group Inc.	447.0	5/15/2023	DDE	Retail	Bond
International Textile Group Inc	640.5	5/23/2023	DDE	Industrial and Manufacturing	Loan

YTD U.S. Bond and Loan Defaults

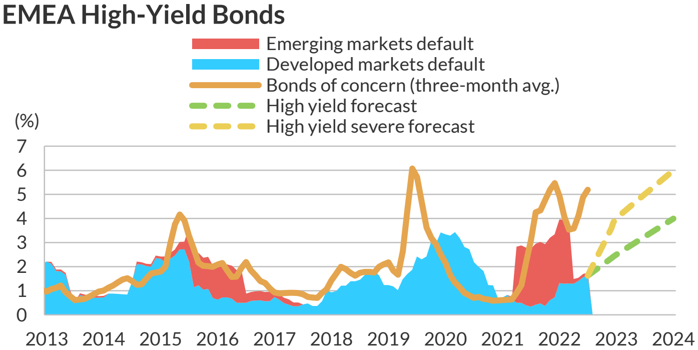
Issuer	Amount Outstanding ($ Mil.)	Default Date	Default Source	Industry	Type
QualTek	418.4	5/24/2023	Chapter 11 Filing	Services and Miscellaneous	Loan
CIBT Holdings Inc.	607.0	5/26/2023	DDE	Leisure and Entertainment	Loan
Incora	2,724.0	6/1/2023	Chapter 11 Filing	Automotive	Bond
Diebold Nixdorf Inc.	1,126.6	6/1/2023	Chapter 11 Filing	Technology	Bond
Diebold Nixdorf Inc.	1,005.8	6/1/2023	Chapter 11 Filing	Technology	Loan
Genesis Care USA Holdings Inc.	1,547.0	6/1/2023	Chapter 11 Filing	Healthcare and Pharmaceutical	Loan
Covis Pharma	512.0	6/1/2023	DDE	Healthcare and Pharmaceutical	Loan
Wawona Packing Co	335.0	6/1/2023	DDE	Food, Beverage and Tobacco	Loan
Cyxtera Technologies Inc.	864.4	6/4/2023	Chapter 11 Filing	Telecommunication	Loan
US TelePacific Corp.	663.0	6/7/2023	DDE	Telecommunication	Loan
Lucky Bucks	554.0	6/9/2023	Chapter 11 Filing	Gaming, Lodging and Restaurants	Loan
Instant Brands Inc	390.9	6/12/2023	Chapter 11 Filing	Consumer Products	Loan
Tacora Resources Inc.	225.0	6/15/2023	Missed Payment	Metals and Mining	Bond
Casa Systems Inc.	218.8	6/16/2023	DDE	Telecommunication	Loan
Shutterfly Inc.	1,034.2	6/22/2023	DDE	Retail	Bond
Shutterfly Inc.	1,076.6	6/22/2023	DDE	Retail	Loan
Exela Technologies	1,278.1	7/11/2023	DDE	Technology	Bond
Anchor Glass Container Corp.	773.5	7/11/2023	Missed Payment	Industrial and Manufacturing	Loan
Mallinckrodt Pharmaceuticals	978.0	7/15/2023	Missed Payment	Healthcare and Pharmaceutical	Bond

DDE – Distressed debt exchange
Source: Fitch U.S. High Yield and Leveraged Loan Default Indices

Europe Default Rates to Rise into 2024

European HY bond default rates will rise into 2024. Our base-case bond default rate forecast for YE 2023 is 2.5% and our severe-case forecast at 4%. We expect bond default rates to continue rising in 2024, with a YE 2024 base-case forecast of 4%, and severe-case of 6%, as 2025 maturities encroach and costs of refinancing remain challenging in 2024.

EMEA High-Yield Bonds

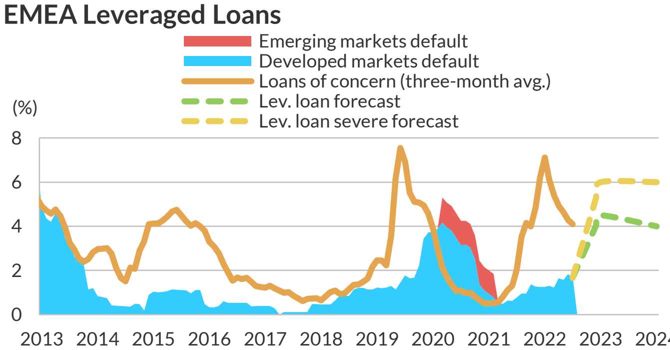


Source: Fitch Ratings

HY bonds of market concern have stabilized above 5% in the last quarter but still lower than the 6.1% observed in November 2022 in the aftermath of the U.K.'s failed budged and below the recent peak of 6.7% in April 2020 during the coronavirus lockdown. Concern lists were higher in 2Q23 as several defaulted real-estate related issuers returned to the list.

We maintain our YE 2023 base-case loan default rate forecast at 4.5%, and our severe-case loan default rate for YE 2023 at 6%. We expect base-case loan default rates to stabilize around the 4% area by YE 2024, with severe-case at 6%. Base- and severe-case bond default rates are forecast to be lower than loans by YE 2023, due to fewer floating-rate issuers impacted by current benchmark rate rises, fewer issuers with near-term maturities and smaller volumes of 'CCC' category issuers. We expect bond default rates to rise higher in 2024 due to more issuers with unsecured instruments in cyclical sectors and encroaching 2025 maturities.

EMEA Leveraged Loans

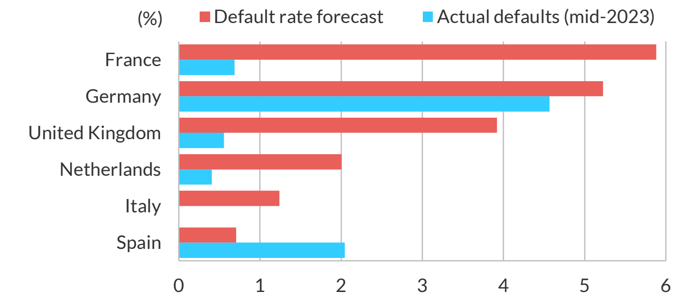


Source: Fitch Ratings

Leveraged loans of concern were lower at 3.9% in June 2023, from a spike in October 2022 to 8.2%. Loans of Concern averaged 4.1% over the last three months. We expect rising interest expense and weaker profit growth in 2H23 and 1H24 and encroaching 2025 maturities to lead downward rating migration to maintain loans of market concern at high levels into 2024. Issuers on the concern lists are more likely to hire restructuring advisers and solicit material amendments under the threat of entering court processes.

2023 Default Forecasts by Country

Base Default Forecast Versus Mid-2023 Actuals



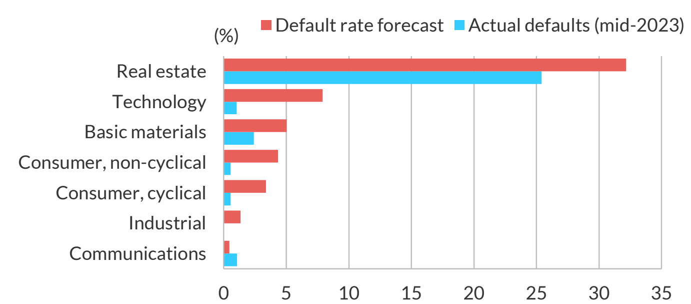
Source: Fitch Ratings

At June 30, 2023, France's default rate stood at 0.7%. However, the ongoing restructuring process and impending default of the supermarket chain Casino Guichard-Perrachon could bring this number up significantly to 6.8%. As of July 2023, Casino's 2027 unsecured notes were showing bid/ask prices of only 0.5–3.3 to par value, while the senior term loan was in the 54–56 range.

Germany tops the list with the highest mid-2023 TTM default rate at 4.6% and it is expected to reach 5.2% in 2023. Germany's exposure stems from stressed real-estate issuers. Notably, ADLER Group defaulted just one month after release of our forecasts in November 2022. Though ADLER quickly emerged from the restructuring, it re-entered the market with an unsustainable capital structure in the distressed range, landing on the concern list. The event of an ADLER default could bring Germany's default rate to 7.4% on a TTM basis.

Default Forecasts by Sector

2023 Base Forecast Versus Actuals



Source: Fitch Ratings

The leveraged real estate sector leads the list with a total par value of EUR15.2billion and expected default forecast of EUR4.9 billion or 32.2% of its combined high-yield and leveraged loan market. Actual defaults include ADLER Group representing the majority of the volume. Technology follows the list's total par value of EUR45.4 billion and expected default forecast of EUR3.58 billion or 7.9% given its sensitivity to rising interest rates and refinancing costs.

European Market Concern Highlights

This section provides an overview of recent developments in high-yield bonds listed as Tier 1 or Tier 2 on the market concern list. We have gathered this information from multiple sources, such as Fitch Ratings, LevFin Insights, Covenant Review, company websites and earnings calls.

Casino bidder 3F Holding and its partners are valuing the company at EUR3.733 billion according to the full offer letter published by the company. At the company's request, trading in Casino instruments was suspended in early July 2023.

As reported, 3F and its partners put forward an offer for EUR900 million of total new money, of which EUR450 million is in equity, including EUR350 million from 3F and the credit fund, and EUR450 million in the form of five-year super senior debt at E+400bps cash (pay if you can) during the first two years) plus 500bps PIK. All the unsecured debt would be equitized. However, the equitization of the secured debt would be much smaller, at EUR300 million.

The EPGC/Fimalac offer letter, which doesn't detail a valuation, will provide that group with a 50.1% equity stake in the business, while existing shareholders will retain a 0.2% holding. The rights issue will represent an 8.6% stake, secured creditors will get 36.7% ownership (16% via new money and 20.7% via debt conversion), with the unsecured creditors left with just 3.6%.

Earlier in June 2023, Casino's bonds reached new lows as the joint venture talks between the retail group and Teract ended and details of a new proposal emerged. Casino had opened a conciliation procedure to facilitate discussions with multiple creditors until Casino decides how to proceed. The conciliation process can take up to five months.

Casino said it secured a fresh waiver of an event of default from holders of its Quatrim and New York law-governed bonds, as well as some amendments relating to restrictions for the bonds on debt repurchases, debt incurrence and the movement of subsidiaries outside the restricted group, with amendments intended to protect bondholders during the conciliation process.

Fitch downgraded Casino's IDR to 'CC' from 'CCC–' in May and removed the IDR from Rating Watch Negative (RWN). Fitch also downgraded Casino's senior secured instrument's long-term rating to 'CCC+' from 'B–' and removed it from RWN, leaving the Recovery Rating unchanged at 'RR1'. Its senior unsecured and subordinated debt was affirmed at long-term 'C' with 'RR6'.

The downgrade reflected that some form of debt exchange would lead to a material reduction in terms for existing creditors. That would be considered a DDE under Fitch's *Corporate Rating Criteria*.

ADLER signed a loan agreement to borrow up to EUR75 million at 13% from its subsidiary Adler Real Estate until June 2025. ADLER holds 96.9% of the shares in Adler Real Estate. Earlier, it reported 1Q23 net rental income down 24.8% to EUR53.4 million and 1Q23 FFO of EUR15.8 million down from EUR29.8 million in 1Q22. Like-for-like growth was 2.0%, while liquidity at 1Q23 was EUR235 million.

The management team noted on the results call that it expects to finalise in 2023 a sale of development properties (gross asset value [GAV] of EUR423 million) as part of its disposal program. The four developments are in the "offer received/exclusivity" phase, with due diligence being done, while another 16 developments targeted for sale have been listed with a GAV of EUR1.4 billion

According to management communication on 1Q23 results, Adler's restructuring plan, which provided EUR937.5 million of bondholder funding to address near-term bond maturities, gives the company time to sell assets at the best moment and price.

After the repayment of Adler Real Estate's EUR500 million bonds, the company has EUR368 million of debt maturing in 2023. This relates to the EUR102 million convertible bonds due in November and EUR266 million of bank debt. The company plans to cover the repayment from cash of EUR235 million at 1Q23, active refinancing and capital measures, and asset disposals.

Earlier, Adler Group agreed to a EUR235 million loan with Adler Real Estate, which was used to repay the EUR500 million of 1.875% bonds that were due April 2023. The unsecured loan will feature a non-interest requirement and will mature in June 2025. Its source will be the EUR937.5 million bondholder funding that has been put in place as part of Adler's sanctioned U.K. restructuring plan.

Ideal Standard International SA's Long-Term IDR was downgraded in February to 'CCC+' from 'B–'. The downgrade reflected a large deviation from our previous expectations and credit metrics outside our negative sensitivities over the rating horizon.

We expect weak growth in revenue due to lower demand, offsetting recent price hikes. Profitability will be under pressure due to the global inflationary environment. The company remains highly leveraged after issuing additional debt to fund its negative FCF.

Fitch anticipates that debt will increase further in 2023 and, coupled with pressure on EBITDA, leverage is set to rise over 2023 and 2024. The company's EUR325 million 6.375% senior secured note (SSN) due 2026 continued its decline in the secondary market to around 55% to par in May 2023 and around 52% to par in early June 2023 from about 91% to par at the beginning of 2022.

Altice France Holding SA reported 1Q23 revenue up 0.2% to EUR2.74 billion while EBITDA decreased by 5.3% to EUR857 million. Cash at 1Q23 was EUR480 million and total pro forma debt amounted at EUR23.64 billion. LTM net leverage was 5.8x compared with 5.7x at YE 2022.

The company said that proceeds from the sale of its French data centers could be used to repurchase debt later in 2023, but no clarifications were made on the type of debt (secured versus unsecured) that it could target.

As reported in January 2023, the group completed a EUR7.96 billion-equivalent cross-border A&E resulting in a new August 2028 EUR1.724 billion term loan, comprising around EUR1.574 billion of cashless roll and around EUR150 million of new money, with the new facility paying E+550bps.

The EUR1.317 billion 8% bond due in May 2027 continued to decline, falling to 54.5% to par in early July from 74% and 69.4% to par in April and May 2023. Meanwhile, the EUR500 million 4% senior notes due in February 2028 were marked at 46.7% to par in early July, down from 63% and 59% to par in April and May 2023, respectively.

Selecta Group BV reported 1Q23 net sales up 11.7% to EUR309.1 million and adjusted EBITDA excluding International Financial Reporting Standards (IFRS) Rule 16 up 22.2% to EUR45.1 million. Net senior debt at end-1Q23 was EUR1.13 billion and cash was EUR55.3 million, down from EUR73.1 million at YE 2022. Net leverage further declined to 5.9x from 6.0x in 4Q22 and 6.1x in 3Q22.

The secondary-market prices of Selecta's EUR290 million 10% second-lien notes due in July 2026 improved by five points to around 66.5% to par in July 2023 from 61.7% to par in early May 2023.

ARVOS Group (Alstom's thermal power carve-out) is weighing its options for potential refinancing of its around EUR550 million of debt maturing in 2024. The group is exploring all possibilities to identify the most appropriate route to refinance its debt, with no decision made as to whether or not it will involve advisors.

The company received lender approval in 2022 to extend its outstanding debt by one year, to August 2024, with no changes to the margin from the previous A&E.

In early 2021, the company had already amended and extended its EUR288 million term-loan B E+550bps to August 2023, from E+450bps due August 2021.

The term-loan B was included in the Tier 2 list in March 2020, and moved up to the Top list in August 2021. As of early July 2023, the term-loan B was trading at a bid-ask range of 45.17–48.17.

Technicolor Creative Studios (TCS) has finalized its restructuring and completed its drawdown of the second EUR85 million tranche of its new money. According to an update issued by the company, the EUR170 million of new money funding will be drawn into two tranches of EUR85 million, with one in April and the other in June.

The company earlier reached an agreement in principle for a restructuring that includes EUR170 million of new financing, EUR421 million of restated debt and EUR30 million of equitization. Existing shareholders will ultimately be diluted to a 12% holding, after conversion of the convertible debt. Existing first-lien lenders will get 44% and providers of the EUR170 million new money will get the remaining 44%.

In May 2023, the company reported 1Q23 revenue down 15% at EUR168 million. Cash and cash equivalents in 1Q23 totaled EUR47 million, with the EUR40 million RCF fully drawn. Nominal net debt excluding operating lease debt was EUR654 million. IFRS debt was EUR744 million, or EUR606 million excluding operating lease debt. According to management, revenue did not fully reflect the benefits of TCS's transformation program, which is expected to materialize progressively in the coming quarters. Market parent Finco Plc (Morrisons) reported fiscal 2Q23 (FYE October 2023) total sales, except fuel, up 3.1% to GBP3.7 billion and underlying EBITDA up 87% to GBP193 million. Total group revenue fell 0.9% to GBP4.5 billion, reflecting lower yoy fuel sales. Net debt was GBP5.54 billion with net leverage standing at 6.1x.

1H23's underlying EBITDA fell 10.7% to GBP394 million, as inflationary headwinds continued buffeting the supermarket chain. The group stated it is making good progress with its GBP700 million, three-year cost-saving program, with more than GBP100 million achieved to date and another GBP200 million expected in H2. It is also planning to deliver GBP500 million in working capital improvements over the medium term.

On the results call, the company stated that the cost-savings program was expected to cover the anticipated additional wage costs from the national cost of living wage increase.

Fitch downgraded Bellis Finco plc's (ASDA) Long-Term Issuer Default Rating (IDR) in early June to 'B+' from 'BB–'. The Outlook is Stable.

The downgrade reflects ASDA's already pressured rating, which was previously on Negative Outlook, and follows its underperformance in 2022 versus our expectations. Underperformance comes at a time of already high leverage, which will remain high with its announced primarily debt-funded acquisition of U.K. and Ireland business from EG Group, adding 0.5x to EBITDAR pro-forma leverage at 6.0x in 2023.

ASDA's earlier GBP2.27 billion acquisition of EG's U.K. assets was presented as a symbiotic deal between the businesses, both owned by TDR Capital, Mohsin Issa and Zuber Issa, that would diversify ASDA's retail offering via better access to the convenience market, while helping EG with critical deleveraging in light of its USD9 billion of debt.

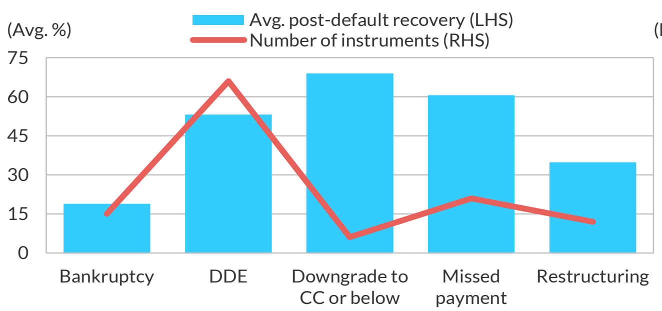
European Default Highlights

Recent European Defaults

Date	Issuer	Instrument Type	Original Amount Issued (EUR Mil.)[a]	Default Type	Estimated Post-Default Recovery (%)[a]
Jun 23	SOLOCAL Group	Bond	176.7	Missed Payment	N.A.
May 23	Diebold Nixdorf	TLB / Bond	463.4	Bankruptcy	17.8
May 23	Genesis Care	TLB	907.5	Bankruptcy	14.0
May 23	Haya Holdco 2 Plc	Bond	349.6	DDE	40.0
Apr 23	Codere Finance 2	Bond	494.5	Restructuring	84.5
Apr 23	Covis Finco	Term Loan	309.0	DDE	72.5
Mar 23	Flint	Term Loan	1,025.0	Missed Payment	69.4
Mar 23	Technicolor	Term Loan	564.2	DDE	51.0
Feb 23	ADLER Real Estate AG	Bond	300.0	DDE	74.5
Jan 23	Telepizza	Bond	335.0	Missed Payment	50.0
Jan 23	Pronovias	Term Loan	154.0	DDE	35.0
Dec 22	ADLER Group SA	Bond	3,200.0	DDE	37.7
Nov 22	Corestate Capital	Bond	300.0	DDE	15.3
Nov 22	Dummen Orange	Term Loan	195.6	DDE	67.0
Nov 22	Frigoglass Finance	Bond	260.0	Restructuring	25.0
Oct 22	Codere Finance 2	Bond	147.2	Restructuring	30.0
Oct 22	Diebold Nixdorf	TLB / Bond	765.0	DDE	76.0

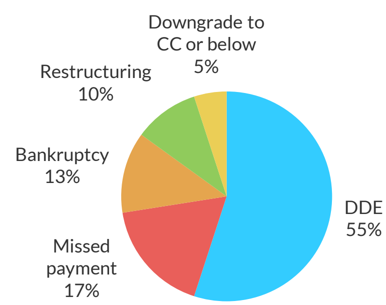
[a]Except where GBP as indicated. DDE – Distressed debt exchange. RCF– Revolving credit facility. TLB – Term-loan B. N.A. –Not available. Note: The estimates provided in this report are based on a combination of restructuring documents, CDS auctions, and secondary market prices. In the case of illiquid debt-for-equity swaps, a recovery value of zero is assigned. Bonds and loan instrument ratings that have been downgraded to CC or below are considered to be in default. Please note that these estimates are subject to change if new information becomes available.
Source: Fitch Ratings

EMEA LTM Defaulted Credits



Source: Fitch Ratings

EMEA LTM Defaulted Credits



Source: Fitch Ratings

Overview of Recent European Defaults

The information presented in this section is intended to provide a comprehensive overview of recent developments of defaulted issuers of high-yield bonds and leveraged loans in the public domain. Private issuers are also included in our default statistics.

Default highlights are compiled from sources such as Fitch Ratings, LevFin Insights, Covenant Review, restructuring documents, bankruptcy and insolvency courts and registers and company websites.

Our recent defaulted credit list includes bonds, loans and RCFs publicly downgraded to CC and below, and represents a variety of reasons, including, but not limited to: restructuring proposals, distressed debt exchanges, missed interest payments, filing for court protection, bankruptcy, sanctions, insolvency, or a simple instrument rating downgrade.

It is important to note that the information in this report is subject to change as new information becomes available.

SOLOCAL Group has received bondholder consent to defer the June 15 and Sept. 15 coupons on its EUR195.4 million March 2025 senior secured floating-rate notes consisting of EUR176.7 million bond and a EUR18.7 million minibond to Sept. 30.

Plans to enter into capital structure talks with bondholders via a mandat ad hoc procedure, which will see the appointment of a mandataire by the Commercial Court of Nanterre. Mandat ad hoc proceedings are not limited in time and are available to debtors which are not insolvent, with the main role of the mandataire ad hoc being to assist the company in negotiating with its main creditors to reach a consensual solution.

Fitch downgraded SOLOCAL's Long-Term IDR to 'C' from 'CC' in June. Fitch also downgraded SOLOCAL's senior secured debt to 'CC' from 'CCC–'. The Recovery Rating on the senior secured debt is 'RR3'.

The downgrade reflects SOLOCAL's s missed payment of interest that was due on June 15. The company has entered a 30-day grace period to cure the payment as provisioned in the debt documentation We expect SOLOCAL to negotiate with bondholders for a waiver or a standstill agreement on payments due for the rest of 2023.

Genesis Care is meeting with lenders regarding the syndication of the USD200 million new-money tranche of its DIP financing.

The new money is being provided by funds that bought into the existing term loan after nearly all of the original European CLO lenders sold out, following the removal of the company's white list before it filed for Chapter 11, as reported. The white list had meant that original lenders that wanted to sell their paper could only trade with a restricted list of approved lenders; white lists typically do not include distressed funds and others that might be willing to buy deeply discounted paper.

Earlier, the company filed for a Chapter 11 bankruptcy with less than USD8 million of liquidity and an urgent need for cash. Judge David Jones granted interim approval for use of its proposed USD800 million DIP facility, with only 25% of the amount being new money after bringing forward pre-petition debt. Total pre-arranged DIP is a three-to-one cashless roll-up for a total of USD800 million with USD600 million of pre-petition secured revolving loans.

On an interim basis, debtors are requesting USD270 million of the USD600 million roll up immediately and the remaining USD330 million to be rolled up on the final order. The company, majority owned by KKR and China Resources, has the equivalent of around USD1.5 billion of term-loan B debt.

Intrum AB (publ) has agreed to acquire Spanish servicing platform Haya Holdco 2 Plc (Haya Real Estate) for EUR140 million, financed with cash and available bank commitments.

Holders of Haya Real Estate's bonds are likely to receive around EUR134 million of net proceeds from its sale to Intrum, representing a recovery of around 40% of the outstanding EUR349.6 million 2025 floating-rate notes. The net proceeds are expected to be received by noteholders at completion in 3Q23.

The company is offering all bondholders a 1% lock-up fee if they decide to accept the Intrum takeover-related restructuring. Around 85% of bondholders including the ad hoc committee had already secured the 1% fee. Unless 90% of noteholder backing is secured, a U.K. scheme of arrangement is proposed to implement the deal.

Codere Finance 2 (Codere SA) has appointed Gonzaga Higuero as CEO, effective June 30. Earlier, it declared that the implementation of its A&E would move to July from June, with the majority of consenting noteholders and new money providers having agreed to extend the deal's long-stop date to the end of July. The grace periods for the coupons on the super senior notes and senior secured notes have also been extended. Most of Codere's noteholders are now locked into the A&E deal, which will provide the company with EUR100 million of new money.

In support of the transaction, 99% (by value) of super senior notes, 96% (by value) of the U.S. dollar senior notes and 94% (by value) of the euro senior notes and 92% (by value) of the subordinated PIK notes have assented to the lock-up agreement.

As part of the transaction, the EUR495 million September 2026 super senior note will be extended by one year and the coupon will be increased by a larger PIK element. Coupons for the EUR147.3 million and USD89.8 million SSNs are also being increased with a larger PIK element.

Covis Finco S.a.r.l. (Covis Pharma) is close to the announcement of an out-of-court deal to right-size its balance sheet and cut USD450 million of debt, mostly from second-lien debt, while its sponsor Apollo Management, L.P. will retain a majority equity interest. The company released a statement to say that it entered a support agreement with 95% of first-lien lenders and 100% of second-lien lenders in April.

The Flint Group has secured lock-ups from more than 92% of its first-lien lenders for its restructuring, and 98% of second-lien lenders. The level of support allows the company to implement its restructuring deal via a U.K. scheme of arrangement, even though consensual implementation was targeted.

Flint announced in March that it has agreed to a debt-for-equity swap deal with its lenders that will inject EUR72 million of new money to assume almost full control of the company, with the company's debt of around EUR1.5 billion to reduce by EUR740 million with a nearly 50% haircut.

The main deal terms are:

- Reduction of Flint operating group's debt by 50% through a partial restatement of the first-lien debt;
- The remainder of the first-lien and second-lien debt to be pushed up into new holdco debt;
- Debt maturities to be extended by up to four years;
- The lender group to provide at least EUR72 million of new liquidity via a new super senior facility; and
- The lender group to take nearly full ownership of the operating company.

The deal will save EUR75 million of interest savings in 2023.

Appendix

Top Market Concern Bonds

(As of July 25, 2023)

Issuer	Amount Outstanding (USD Mil.)	Industry
Bausch Health Companies Inc.	12,704.1	Healthcare and Pharmaceutical
Carvana Co.	5,725.0	Retail
Ligado Networks LLC	5,706.1	Telecommunications
AMC Entertainment Inc.	2,660.8	Leisure and Entertainment
Vericast Corp.	2,081.1	Technology
Radiate Holdco	1,900.0	Cable
Diversified Healthcare Trust	1,750.0	Real Estate
Radiology Partners	1,510.0	Healthcare and Pharmaceutical
Rite Aid Corp.	1,355.6	Supermarkets and Drug Stores
Telesat Canada	1,290.0	Telecommunications
FXI Holdings Inc.	1,231.9	Chemicals
WeWork Companies LLC	1,219.0	Real Estate
Shutterfly Inc.	1,075.9	Retail
Audacy Inc.	1,000.0	Broadcasting and Media
Curo Group Holdings Corp.	1,000.0	Banking and Finance
Artera Services LLC	986.7	Building and Materials
GoTo Group Inc.	950.0	Technology
Akumin Inc.	850.0	Healthcare and Pharmaceutical
Mallinckrodt Pharmaceuticals	816.0	Healthcare and Pharmaceutical
Millennium Escrow Corp.	785.0	Broadcasting and Media
At Home Group Inc.	765.7	Retail
Team Health Holdings Inc.	714.4	Healthcare and Pharmaceutical
Global Medical Response, Inc	600.0	Healthcare and Pharmaceutical
Victors Merger Corp.	550.0	Building and Materials
US Renal Care Inc	505.0	Healthcare and Pharmaceutical
ASP AMC Merger Sub Inc.	500.0	Transportation
P&L Development LLC	465.0	Healthcare and Pharmaceutical
Ensign Drilling Inc.	417.5	Energy
Western Global Airlines LLC	400.0	Transportation
Wheel Pros Inc.	365.0	Automotive
99 Cents Only Stores LLC	350.0	Retail
H-Food Holdings LLC	350.0	Food, Beverage and Tobacco
Cano Health LLC	300.0	Healthcare and Pharmaceutical
Skillz Inc.	129.7	Technology
Tacora Resources Inc.	27.0	Metals and Mining
Total	**53,036.5**	

Note: Names reflect our view of the most concerning U.S. issuers in the high yield market. The list includes bond outstandings greater than $100 million. Sorted by amount outstanding based on the end of June figures. Key components for inclusion in this table are low ratings, discounted secondary market bid levels relative to par, adverse market information/events (e.g. hiring restructuring attorney, issuer considering bankruptcy, etc.) and/or fundamental coverage analysts' input.
Source: Fitch U.S. High Yield Default Index

Top Market Concern Loans

(As of July 25, 2023)

Issuer	Amount Outstanding ($ Mil.)	Industry
Global Medical	3,800.0	Healthcare and Pharmaceutical
Team Health Holdings Inc.	2,643.5	Healthcare and Pharmaceutical
Bausch Health Companies Inc.	2,437.0	Healthcare and Pharmaceutical
GoTo Group Inc.	2,250.0	Technology
AMC Entertainment Inc.	1,925.0	Leisure and Entertainment
US Renal Care Inc	1,785.0	Healthcare and Pharmaceutical
Mallinckrodt Pharmaceuticals	1,739.0	Healthcare and Pharmaceutical
Telesat Canada	1,552.8	Telecommunication
Artera Services LLC	1,505.0	Building and Materials
Wheel Pros Inc.	1,350.0	Automotive
LifeScan	1,310.8	Healthcare and Pharmaceutical
SuperMoose Borrower LLC	1,275.0	Technology
Air Methods Corp.	1,250.0	Transportation
Mitel Networks Corp	1,244.0	Telecommunication
Equinox Holdings Inc.	1,221.0	Leisure and Entertainment
Dessert Holdings	1,200.0	Food, Beverage and Tobacco
ClubCorp International	1,133.4	Leisure and Entertainment
Belk Inc.	1,112.9	Retail
Shutterfly Inc.	1,065.0	Retail
Digicel International Finance Ltd	1,052.4	Telecommunication
Sound Inpatient Physicians Holdings LLC	1,006.9	Healthcare and Pharmaceutical
Learfield Communications Inc	937.0	Broadcasting and Media
Trimark USA LLC	924.0	Food, Beverage and Tobacco
Athletico Holdings LLC	875.0	Healthcare and Pharmaceutical
BW NHHC Holdco	869.0	Healthcare and Pharmaceutical
City Brewing Co.	850.0	Food, Beverage and Tobacco
Vericast Corp.	823.1	Technology
Quorum Health Corp.	717.5	Healthcare and Pharmaceutical
Strategic Partners Inc	715.0	Healthcare and Pharmaceutical
United PF Holdings LLC	706.0	Leisure and Entertainment
Petmate	680.0	Retail
ColourOz MidCo's	679.4	Chemical
Hornblower	675.0	Leisure and Entertainment
Jo-Ann Stores	668.3	Retail
Cano Health LLC	639.6	Healthcare and Pharmaceutical
Anastasia Beverly Hills	634.0	Consumer Products
Audacy Inc.	632.4	Broadcasting and Media
Correct Care Solutions	610.0	Healthcare and Pharmaceutical
CIBT Holdings Inc.	607.0	Leisure and Entertainment
At Home Group Inc.	600.0	Retail
Robertshaw Holdings	596.0	Industrial and Manufacturing
Dawn Acquisition LLC	550.0	Telecommunication
Rodan & Fields LLC	549.6	Consumer Products
Eaglepicher Technologies LLC	548.0	Industrial and Manufacturing
ABB Optical Group	547.1	Healthcare and Pharmaceutical
West Marine Inc.	520.0	Retail

Top Market Concern Loans

(As of July 25, 2023)		
Greenway Health	502.0	Technology
FR BR Holdings LLC	460.6	Energy
Boardriders Inc.	450.0	Retail
INW Manufacturing LLC	440.0	Healthcare and Pharmaceutical
Juice Plus Co LLC	438.8	Food, Beverage and Tobacco
Transcendia Holdings Inc	405.0	Chemical
Tradesmen International Inc	397.0	Services and Miscellaneous
HealthChannels Inc	385.0	Healthcare and Pharmaceutical
SVP Worldwide	370.0	Consumer Products
US TelePacific Corp.	365.0	Telecommunication
Paris Presents Inc.	360.0	Consumer Products
Vyaire Medical Inc.	360.0	Healthcare and Pharmaceutical
NSO Group	351.3	Technology
Accuride Corp.	348.0	Automotive
Tortoise Investments	335.0	Banking and Finance
API Technologies Corp.	335.0	Technology
Wawona Packing Co	335.0	Food, Beverage and Tobacco
International Textile Group Inc	316.0	Industrial and Manufacturing
Strategic Materials Inc	315.0	Building and Materials
Senneca Holdings	315.0	Building and Materials
Shoes for Crews	283.0	Retail
24 Hour Fitness Worldwide Inc	275.0	Leisure and Entertainment
Mad Engine Global LLC	264.7	Consumer Products
Cooper's Hawk Intermediate Holding LLC	250.0	Gaming, Lodging and Restaurants
Altisource Solutions Sarl	227.2	Technology
Casa Systems Inc.	226.0	Telecommunication
Digital Media Solutions LLC	222.2	Broadcasting and Media
Bioplan	210.0	Healthcare and Pharmaceutical
CareerBuilder	175.6	Services and Miscellaneous
Screenvision LLC	165.0	Broadcasting and Media
Outerstuff	155.0	Retail
4L Holdings Corp.	80.0	Services and Miscellaneous
Total	**61,129.1**	

Note: Names reflect our view of the most concerning issuers in the institutional leveraged loan market. Sorted by amount outstanding based on SEC filings or available market information. Key components for inclusion in this table are low ratings, discounted secondary market bid levels relative to par, adverse market information/events (e.g. hiring restructuring attorney, issuer considering bankruptcy, etc.) and/or fundamental coverage analysts' input.
Source: Fitch U.S. Leveraged Loan Default Index

Tier 2 Market Concern Bonds

Issuer	Amount Outstanding ($ Mil.)	Industry
DISH DBS Corp.	15,250.0	Cable
Community Health Systems Inc.	11,567.5	Healthcare and Pharmaceutical
Lumen Technologies Inc.	6,121.6	Telecommunications
Clear Channel Outdoor Holdings Inc.	3,300.0	Broadcasting and Media
MultiPlan	2,076.0	Services and Miscellaneous
Coinbase Global Inc.	2,000.0	Banking and Finance
Alkegen	1,200.0	Chemicals
Rackspace Technology Global, Inc.	1,077.3	Technology
LD Holdings Group LLC	1,002.5	Banking and Finance
Wash Multifamily	850.0	Services and Miscellaneous
Liberty Interactive LLC	791.7	Broadcasting and Media
CWT Travel Group Inc.	625.0	Leisure and Entertainment
SWF Escrow Issuer Corp.	625.0	Consumer Products
PECF USS Intermediate Holding	550.0	Banking and Finance
One Call Corp.	532.6	Healthcare and Pharmaceutical
APTIM Corp.	515.0	Services and Miscellaneous
Weight Watchers International Inc.	500.0	Consumer Products
Iamgold Corp.	450.0	Metals and Mining
Constellation Merger Sub	425.0	Leisure and Entertainment
GPS Hospitality Holdings	400.0	Gaming, Lodging and Restaurants
Innovate Corp.	330.0	Building and Materials
Spanish Broadcasting Systems Inc.	310.0	Broadcasting and Media
Carrols Restaurant Group	300.0	Food, Beverage and Tobacco
Castle US Holding Corp.	300.0	Technology
OT Merger Corp.	300.0	Industrial/Manufacturing
Polar US Borrower LLC	300.0	Chemicals
Signal Parent Inc.	300.0	Services and Miscellaneous
Beasley Broadcasting Group	290.0	Broadcasting and Media
Conuma Coal Resources Ltd	250.0	Metals and Mining
KLX Energy Services Holdings	237.3	Energy
Total	**52,776.5**	

Note: The list includes bond outstandings greater than $100 million. Sorted by amount outstanding based on the end of November figures. Issuers have additional measures of financial flexibility, greater liquidity options and/or potentially more tenable capital structures than issuers on the Top Market Concern Bond list. Key components for inclusion in this table are low ratings, discounted secondary market bid levels, relative to par, adverse market information/events and/or fundamental coverage analysts' input.
Source: Fitch U.S. High Yield Default Index

Tier 2 Market Concern Loans

Issuer	Amount Outstanding ($ Mil.)	Industry
Lumen Technologies Inc.	6,352.0	Telecommunication
Travelport LLC	3,811.0	Leisure and Entertainment
Quest software	3,675.0	Technology
Rackspace Technology Global Inc	2,259.8	Technology
RSA Security Inc.	2,000.0	Technology
FINThrive Software Intermediate Inc.	1,983.3	Healthcare and Pharmaceutical
AVSC Holding Inc.	1,958.8	Broadcasting and Media
Civitas Solutions Inc	1,930.0	Healthcare and Pharmaceutical
LaserShip Inc	1,830.0	Transportation
Pretium Packaging LLC	1,600.0	Paper and Containers
WP CPP Holdings LLC	1,497.2	Industrial and Manufacturing
Cision	1,495.0	Technology
ACProducts Inc.	1,400.0	Building and Materials
ConvergeOne Holdings Corp	1,361.0	Technology
Polar US Borrower	1,360.0	Chemical
Aveanna Healthcare LLC	1,326.3	Healthcare and Pharmaceutical
Astra Acquisition Corp.	1,300.0	Technology
NIC Acquisition Corp.	1,250.0	Chemical
Packers Holdings	1,240.0	Services and Miscellaneous
TKC Holdings	1,222.1	Services and Miscellaneous
Imperva	1,197.0	Technology
Xplornet Communications	1,195.0	Telecommunications
Research Now Group Inc	1,183.1	Services and Miscellaneous
ASP Unifrax Holdings	1,150.0	Chemical
Washington Prime	1,100.0	Real Estate
EPIC Crude Services	992.5	Energy
EPIC Y-Grade Services LP	950.0	Energy
Weight Watchers International Inc	945.0	Consumer Products
WorldStrides	911.0	Leisure and Entertainment
Pure Fishing Inc.	874.4	Leisure and Entertainment
AccentCare Inc.	860.2	Healthcare and Pharmaceutical
Aspect Software Inc	860.0	Technology
Oregon Tool Inc.	850.0	Industrial and Manufacturing
Confluence Technologies	840.0	Technology
Interior Logic Group	775.9	Services and Miscellaneous
Covis Pharma	764.0	Healthcare and Pharmaceutical
Tecomet	724.7	Healthcare and Pharmaceutical
Mavenir Systems Inc	705.0	Technology
One Call Care Management	700.0	Healthcare and Pharmaceutical
Journey Personal Care Corp.	650.0	Consumer Products
8th Avenue Food & Provisions	619.8	Food, Beverage and Tobacco
BW Holding Inc.	604.0	Consumer Products
IXS Holdings Inc.	600.0	Automotive
Mold-Rite	580.0	Building and Materials
Carestream Health	540.8	Healthcare and Pharmaceutical
Medical Depot	537.9	Healthcare and Pharmaceutical
Nautilus Power LLC	529.0	Utilities, Power and Gas

Tier 2 Market Concern Loans

Issuer	Amount Outstanding ($ Mil.)	Industry
McDermott International Inc.	509.0	Industrial and Manufacturing
RugsUSA LLC	500.0	Retail
Gopher Resource LLC	485.4	Services and Miscellaneous
US Farathane LLC	483.0	Chemical
KAMC Holdings Inc.	445.0	Energy
West Deptford Energy	445.0	Utilities, Power and Gas
Avison Young	443.0	Real Estate
Yak Mat LLC	419.1	Building and Materials
Polymer Additives Inc.	405.0	Chemical
Traeger Grills	404.1	Consumer Products
System1	400.0	Technology
Power Stop LLC	395.0	Automotive
Bojangles Restaurants Inc	375.0	Gaming, Lodging and Restaurants
Global Eagle	375.0	Telecommunication
Zep Inc.	361.6	Chemical
Blue Ribbon Intermediate Holdings LLC	354.2	Food, Beverage and Tobacco
Associated Asphalt	350.0	Building and Materials
Premier Brands Group Holdings	325.0	Retail
Moran Foods LLC	317.0	Supermarkets and Drug Stores
Maverick Gaming LLC	310.0	Gaming, Lodging and Restaurants
Lumileds Holdings Ltd	300.0	Industrial and Manufacturing
Gibson Brands	300.0	Consumer Products
Lyons Magnus	285.0	Food, Beverage and Tobacco
American Medical Technologies	280.0	Healthcare and Pharmaceutical
Cole Haan LLC	277.3	Retail
Constellis	260.0	Services and Miscellaneous
HDT Global	259.0	Industrial and Manufacturing
Exactech Inc	235.0	Healthcare and Pharmaceutical
VAC Germany	225.0	Chemical
Chassix Inc	225.0	Automotive
Carrols Restaurant Group	167.6	Food, Beverage and Tobacco
Blackbrush Oil & Gas	75.0	Energy
Total	**74,080.9**	

Note: Issuers have additional measures of financial flexibility, greater liquidity options and/or potentially more tenable capital structures than issuers on the Top Market Concern Loans list. Amount outstanding based on available information. Key components for inclusion in this table are low ratings, discounted secondary market bid levels relative to par, adverse market information/events and/or fundamental coverage analysts' input.
Source: Fitch U.S. Leveraged Loan Default Index

European Loans of Market Concern

Tier	Issuer	Original Amount (EUR Mil.)	Next Maturity	Avg. Price
Top	ARVOS Group	289	Aug 24	46.4
Top	PlusServer	260	Aug 24	49.4
Top	Accolade Wine	350	May 25	54.1
Top	Betafence/Praesidiad	290	Oct 24	61.4
Top	Technicolor	564	Sep 26	64.9
Top	Vue Cinemas	763	Jul 26	53.9
Top	Keter	1,205	Oct 23	85.6
Top	IGM Resins	325	Jul 25	57.7
Top	Casino Guichard	1,425	Aug 25	73.2
Top	Hilding Anders	300	Feb 26	44.4
Top	Iberconsa	310	Nov 24	76.9
Top	Wittur	805	Oct 26	69.3
Top	Orion Cable	525	Oct 24	74.4
Tier 2	Schur Flexibles	147	Sep 27	73.4
Tier 2	Labeyrie Fine Foods	455	Jul 26	61.7
Tier 2	Covis Finco	309	Feb 27	67.9
Tier 2	Flamingo/Afriflora	280	Feb 25	84.0
Tier 2	GHD	360	Aug 26	69.1
Tier 2	Cision US/Castle US	500	Jan 27	70.6
Tier 2	St Hubert	260	Jan 25	81.8
Tier 2	Stonegate Pub	466	Mar 28	81.9
Tier 2	Hurtigruten	655	Feb 27	89.8

Note: Average prices as of June 2023. Amount issued may diverge from actual outstanding. Exclude RCFs. Numbers may change if new information becomes available.
Source: Fitch Ratings LevLoan Insight Index

European Bonds of Market Concern

Tier	Issuer	Original Amount (EUR Mil.)	Next Maturity	Avg. Price
Top	Casino Guichard Perracho	3,375	Mar 24	15.8
Top	ADLER Group SA	3,200	Jul 25	46.2
Top	Altice France Holding SA	1,817	May 27	55.0
Top	Ideal Standard Intl SA	325	Jul 26	52.2
Tier 2	Selecta Group BV	290	Jul 26	67.1
Tier 2	Pro-Gest S.p.A.	250	Dec 24	66.9
Tier 2	Anacap Fin EU SA	325	Aug 24	69.7
Tier 2	Quatrim SAS	800	Jan 24	81.4
Tier 2	Paper Industries (Lecta)	200	Mar 25	78.3
Tier 2	Mangrove Luxco III	372	Oct 25	71.2
Tier 2	La Finac Atalian SA	1,237	May 24	71.4
Tier 2	Herens Midco SARL	460	May 29	60.7
Tier 2	Altice Finco SA	675	Jan 28	68.7
Tier 2	Oriflame Investment Hldg	250	May 26	51.8
Tier 2	Kleopatra Holdings 2	300	Sep 26	67.2
Tier 2	HSE Finance SARL	380	Oct 26	58.2
Tier 2	Demire Real Estate AG	600	Oct 24	74.2
Tier 2	Schoeller Packaging	250	Nov 24	84.5
Tier 2	Olympus Wtr US Hldg Corp	265	Oct 29	72.2
Tier 2	Boparan Finance Plc	553	Nov 25	66.2
Tier 2	Standard Profil Automoti	275	Apr 26	68.2
Tier 2	Market Parent Finco Plc (Morrisons)	1,397	Oct 29	64.4
Tier 2	Metro Bank Plc	291	Jun 28	62.2
Tier 2	Titan Holdings II BV	375	Jul 29	79.6
Tier 2	Ardagh Metal Packaging	500	Sep 29	75.3
Tier 2	Laboratoire Eimer Selas	250	Feb 29	72.5
Tier 2	ADLER Real Estate AG	300	Apr 26	79.1
Tier 2	Flamingo Lux II SA	250	Mar 29	72.6
Tier 2	Compact Bidco BV	300	May 26	70.6
Tier 2	BCP V Modular Services	435	Nov 29	75.9
Tier 2	Novafives SAS	600	Jun 25	93.9
Tier 2	Tele Columbus AG	650	May 25	73.5
Tier 2	Bellis Finco Plc (ASDA)	582	Feb 27	75.6
Tier 2	Chrome Holdco	525	May 29	75.1
Tier 2	CTEC II GmbH	465	Feb 30	83.1

Note: Note: Average prices as of June 2023. Amount issued may diverge from actual outstanding. Numbers may change if new information becomes available. Source: Fitch Ratings High-Yield Insight Index

Parameters of the Fitch Ratings U.S. Leveraged Loan Default Index

- This index comprises rated and unrated, active institutional leveraged loans with a minimum deal size of USD100 million. The loan facilities are all denominated in U.S. dollars and are comprised of institutional term loans, drawn acquisition facilities, and bridge loans. Rated issuers in the index encompass companies with senior debt ratings from Fitch, Moody's, or S&P. Unrated issuers and some investment-grade rated issuers are included based on spread and leverage statistics.
- Broadly syndicated loans (BSLs) are defined as loans with a total deal size in excess of USD500 million, while large middle market (LMM) consists of loans with deal size of USD100 million–USD500 million. Those LMM loans with revenue of at least USD500 million are classified as BSL. Traditional middle market deals (under USD100 million) are not included.
- A default is recorded when an index company: 1) files for bankruptcy protection, 2) after a 30-day grace period expires for a missed bond payment or a five-day grace period expires for a missed loan payment without a forbearance, or 3) there is a DDE, which affects the loan facilities. The default rate is calculated by dividing the par value of affected loans by the average size of the market over a stated time horizon.

Source: Fitch U.S. Leveraged Loan Default Index, Refinitiv LPC, Bloomberg, SEC filings.

Parameters of the Fitch Ratings U.S. High Yield Default Index

- Based on non-investment grade, U.S. dollar-denominated, nonconvertible bonds.
- Includes rated by Fitch, or one of the other two major rating agencies and non-rated public bonds, and private placements with 144A registration rights.
- Issuers are considered to have defaulted after passing a 30-day grace period, unless there is a bankruptcy filing, in which case defaults are immediate.
- Defaults include DDEs, in which bond investors are offered securities with structural or economic terms that are diminished in comparison with those of existing bonds. Open market purchases are excluded.
- Fitch's opinion prevails regarding DDEs. Otherwise, the opinion of the other two major rating agencies will be used.
- Default rates are calculated by dividing the volume of defaulted bonds by the average principal volume outstanding for the period under observation.

Parameters of the Fitch Ratings Market Concern Loans/Bonds

- Top Market Concern Loans/Bonds: Key components for inclusion in this table are low ratings, discounted secondary-market bid levels relative to par, adverse market information/events (e.g. hiring restructuring attorney, issuer considering bankruptcy, etc.) and/or fundamental coverage analyst input.
- Tier 2 Market Concern Loans/Bonds: Issuers have additional measures of financial flexibility, greater liquidity options and/or potentially more tenable capital structures than issuers on the Top Market Concern Loans list. Key components for inclusion in this table are low ratings, discounted secondary-market bid levels relative to par, adverse market information/events and/or fundamental coverage analyst input.

Other Market At-Risk Loan/Bond Issuers: Comprised of issuers that don't meet our criteria for the Top or Tier 2 Market Concern lists but which exhibit a weaker credit profile that requires monitoring for potential inclusion on these lists.

Definitions

Market Concern List: Based on a concern score that we calculate at the end of each month as a weighted summation of factors that includes:

- Credit rating, in which high or low ratings account for positive or negative scores, respectively;
- Prices, in which we consider volatility to be a concern depending on its magnitude and frequency;
- Maturities, where we consider high spreads combined with very short-term maturity as an inversely increasing risk.

Tier: Where "Tier 1" or "top tier" stand for those most at risk and "Tier 2" for the second riskiest.

Prices: Calculated as a monthly average.

Default Rate: We treat bonds and loans rated 'CC' and below as defaults.

Insight Index Methodology

Fitch Ratings European High-Yield Insight Index

Currency	CHF, DKK, EUR, GBP, NOK, SEK
Term	Minimum one year, maximum 15 years
Minimum issue size	EUR100m
Credit quality	Additions, from 'BB+' to 'CCC–'
	Holdings, from 'BB+' to 'D'
Weighting	Market value
Rebalancing	Once a month at the end of the month
Exclusions	Asset-backed, covered bonds, government, special-purpose bank, structured notes

Source: Fitch Ratings.

Fitch Ratings European Leveraged Loan Insight Index

Currency	CHF, DKK, EUR, GBP, NOK, SEK
Term	Minimum one year, maximum 15 years
Minimum issue size	EUR100m
Credit quality	Additions, from 'BB+' to 'CCC–'
	Holdings, from 'BB+' to 'D'
Weighting	Market value
Rebalancing	Once a month at the end of the month

Source: Fitch Ratings.

A data file for selected charts and tables for this report can be found here.