MOODY'S ANALYTICS

RESEARCH
08 JANUARY 2024

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EURO CLO Exposure – Q4 2023

Introduction

This paper provides an overview of top current Industry, Country[1] and Issuer[2] exposures in European CLOs as of the end of Q4 2023[3].

It should be noted that the industry of an issuer is assigned and reported for each CLO transaction by its asset manager. Managers routinely report different industries for the same issuer. Hence, Moody's Analytics Structured Finance team has developed the Moody's Most Common Industry ("MMC Industry"). This is the industry most often allocated to the issuer by managers.

In addition to the exposures, MMC Industry and country analysis included in this report are Weighted Average Price[4] (WAP), percentage below 90 and percentage below 80 buckets for each of their respective categories. We have also compared these values against the prior quarter reporting any quarterly changes.

For issuer exposure, we have analyzed their key metrics such as weighed average price (WAP), weighted average spread (WAS) and the weighed average maturity (WAM) for exposures issued by the Top 30 Issuers in European CLOs. All weighted average calculations are weighted based on current balances as of 31/12/2023.

[1] The Country is as reported for each exposure by trustees on their reports.

[2] Issuers are the ultimate parent companies of the entity issuing the exposure in each case. This also corresponds to data published by trustees.

[3] The reports considered are the most recently published between 01/11/2023 and 31/12/23. Some deals are reflecting the August collateral data if the September report was not available as of 31/12/2023. If a data point is absent or corrupted the corresponding exposure is not included, this represents a small proportion of the overall exposure (under 0.03% of total balance for any given metric considered).

[4] The prices used are the most recent live figures from Markit and Thomson Reuters as of 31/12/23.

Moody's Most Common Industry Breakdown

European CLOs have the most exposure to the Healthcare & Pharmaceuticals industry. The total exposure is at 17.02% across European CLOs, which is higher than the 15% industry concentration limits commonly seen in CLO deals. This higher average could be an indication of misreporting of this industry by certain managers. This overall exposure has decreased by 0.04% from 17.06% at the end of Q3 2023.

Over the past three months, the WAP of European CLO exposures to Healthcare & Pharmaceuticals has increased[5] by 0.21 points. The percent of its exposures priced under 90 is 11.50%, 1.15% is priced under 80. We also observed a slight convergence in the industry's loans and bonds prices in the last 3 months with 8.11% of them moving from >90 to <90 and 0.20% loans moving from <80 to >80 buckets.

Table 1 MMC Industries Ranked by Exposure

MMC Industry	Exposure	3M Δ	WAP	3M Δ	Price <90	3M Δ	Price <80	3M Δ
Healthcare & Pharmaceuticals	17.02%	-0.04%	96.07	0.21	11.50%	8.11%	1.15%	-0.20%
Services: Business	8.56%	-0.03%	97.68	1.70	0.39%	0.36%	0.00%	0.00%
High Tech Industries	8.25%	0.14%	96.66	0.64	6.51%	-0.22%	6.40%	3.48%
Chemicals, Plastics, & Rubber	7.07%	0.05%	95.22	1.19	7.98%	-0.59%	2.00%	-1.05%
Hotel, Gaming & Leisure	5.48%	0.28%	90.88	2.47	15.11%	11.71%	2.98%	-0.35%
Construction & Building	5.35%	0.14%	95.32	0.96	14.98%	2.72%	0.00%	0.00%
Media: Broadcasting & Subscription	5.25%	0.15%	98.59	1.86	0.00%	-3.44%	0.00%	-0.05%
Services: Consumer	5.23%	-0.04%	95.72	0.80	5.19%	-0.40%	5.15%	0.62%
Beverage, Food & Tobacco	4.98%	0.08%	96.25	1.43	9.87%	1.85%	2.82%	-0.21%
FIRE: Banking, Finance, Insurance & Real Estate	4.75%	0.15%	93.88	2.30	9.43%	-0.77%	5.41%	2.16%
Telecommunications	4.50%	0.04%	96.50	0.77	4.61%	-0.62%	4.61%	-0.36%
Capital Equipment	4.50%	-0.01%	97.08	3.06	5.96%	-0.11%	0.12%	-5.79%
Retail	3.97%	-0.48%	95.34	1.32	6.41%	1.90%	4.14%	-0.35%
Containers, Packaging & Glass	2.83%	-0.01%	95.42	-0.13	10.39%	7.71%	2.13%	1.54%
Consumer goods: Durable	2.22%	-0.07%	91.01	0.05	9.60%	-3.40%	9.60%	4.28%
Automotive	2.06%	-0.13%	97.54	1.88	0.00%	0.00%	0.00%	0.00%
Media: Advertising, Printing & Publishing	1.64%	-0.24%	98.23	0.78	0.53%	0.01%	0.53%	0.01%
Consumer goods: Non-durable	1.20%	-0.13%	98.50	1.29	0.18%	0.18%	0.18%	0.18%
Forest Products & Paper	0.99%	-0.01%	93.41	-0.28	19.28%	-0.39%	12.44%	11.56%
Environmental Industries	0.93%	0.11%	98.54	1.73	0.76%	-0.15%	0.76%	-0.15%
Aerospace & Defense	0.72%	0.13%	98.14	-0.10	0.00%	0.00%	0.00%	0.00%
Wholesale	0.65%	-0.09%	96.15	-0.46	9.02%	8.93%	0.00%	-0.09%
Media: Diversified & Production	0.61%	0.01%	97.67	1.64	0.00%	0.00%	0.00%	0.00%
Transportation: Cargo	0.57%	0.01%	98.55	0.56	0.57%	0.00%	0.57%	0.00%
Transportation: Consumer	0.44%	-0.03%	93.63	2.69	2.78%	0.12%	2.78%	0.12%
Metals & Mining	0.13%	-0.01%	98.50	1.54	1.06%	0.02%	0.00%	0.00%
Energy: Oil & Gas	0.08%	0.00%	90.32	9.45	0.00%	0.00%	0.00%	0.00%
Energy: Electricity	0.01%	0.00%	94.81	4.40	0.00%	0.00%	0.00%	0.00%
Total	100.00%	0.00%	95.92	1.15	7.46%	2.27%	2.50%	0.24%

Issuer Country Breakdown

France is the top country exposure for European CLOs. Top five countries together represent 72.82% of the total exposure. Of these five, the Netherlands and UK WAPs adjusted up by the most (respectively +1.44 and +1.62) over the past quarter. We have combined the exposures of the jurisdictions that are smaller under the Miscellaneous category noted at the end of the table.

Over the past three months, European CLO country exposure to France has decreased by 0.20% and the WAP for those exposures improved by 0.66 points. The percent of French exposures priced under 90 stands at 18.90%, 4.83% is priced under 80.

We also observed an overall increase in the prevalence of the loans' and bonds' lower price buckets in the past three months with 2.27% moving from >90 to <90 and 0.24% moving from >80 to <80 buckets.

Table 2 Issuer Countries Ranked by Exposure

Country / Jurisdiction	Exposure	3M Δ	WAP	3M Δ	Price <90	3M Δ	Price <80	3M Δ
France	19.26%	-0.20%	95.03	0.66	18.90%	13.91%	4.83%	1.96%
United Kingdom	15.18%	-0.35%	97.01	1.62	5.65%	1.85%	2.11%	0.69%
U.S.	13.14%	-0.08%	95.89	1.17	11.75%	5.60%	5.05%	2.18%
Germany	12.75%	-0.14%	94.72	0.83	15.76%	8.78%	6.53%	3.18%
Netherlands	12.49%	0.13%	96.94	1.44	6.90%	2.53%	2.05%	0.20%
Luxembourg	7.30%	0.28%	95.21	1.36	15.86%	7.24%	4.22%	2.83%
Spain	4.91%	0.09%	97.36	1.86	2.78%	-0.28%	1.53%	0.52%
Italy	3.87%	0.08%	97.42	1.14	4.10%	1.64%	2.73%	1.59%
Sweden	3.42%	0.06%	95.72	1.54	6.42%	2.06%	5.52%	2.27%
Ireland	1.71%	-0.03%	97.65	1.27	1.52%	0.23%	0.19%	0.09%
Finland	1.33%	0.01%	99.24	1.46	1.65%	0.88%	0.08%	-0.01%
Switzerland	1.07%	0.01%	94.82	1.84	6.27%	-5.66%	5.78%	3.87%
Belgium	0.90%	0.17%	96.20	2.71	12.73%	7.10%	8.58%	2.80%
Norway	0.55%	-0.01%	86.88	-4.44	22.90%	19.76%	22.77%	19.60%
Denmark	0.54%	0.01%	96.75	1.16	2.28%	1.04%	2.28%	1.79%
Miscellaneous[6]	1.57%	-0.01%	95.32	1.71	13.14%	3.15%	3.54%	-0.21%
Total	100.00%	0.00%	95.92	1.15	7.46%	2.27%	2.50%	0.24%

[6] The following 21 countries/jurisdictions are combined under the Miscellaneous category: Austria (Exp. 0.33%), Cayman Islands (Exp. 0.25%), Australia (Exp. 0.23%), Canada (Exp. 0.11%), Estonia (Exp. 0.1%), China (Exp. 0.08%), Lithuania (Exp. 0.08%), Gibraltar (Exp. 0.08%), Israel (Exp. 0.07%), Hungary (Exp. 0.06%), Malta (Exp. 0.04%), Poland (Exp. 0.03%), Bermuda (Exp. 0.03%), Portugal (Exp. 0.01%), Slovenia (Exp. 0.01%), Panama (Exp. 0.01%), British Virgin Islands (Exp. 0.01%), United Arab Emirates (Exp. 0.009%), Singapore (Exp. 0.005%), Czech Republic (Exp. 0.004%), Bulgaria (Exp. 0.0006%).

Top Issuers of European CLO Portfolios

At EUR 4.22Bn, Altice NV is the largest issuer exposure of European CLOs within the Media: Broadcasting & Subscription MMC Industry. This exposure increased significantly in the past quarter as recent negative coverage of the group presented a buying opportunity for managers.

The WAP for loans and bonds issued by Altice NV is 85.29, and is 5.59 points lower compared to the WAP of other exposures from peers in the same MMC Industry. Their WAS is 0.33% lower compared to the other exposures from the same MMC Industry.

Table 3 Top 30 Issuers by Exposure

Rank	Issuer	MMC Industry	WAP	Industry WAP	Difference	WAS	Industry WAS	Difference
1	Altice Nv	Media: Broadcasting & Subscription	85.29	90.88	-5.59	2.24	2.56	-0.33
2	Ineos Limited	Chemicals, Plastics, & Rubber	98.32	95.22	3.09	3.29	3.59	-0.29
3	Liberty Global Plc	Media: Broadcasting & Subscription	96.44	90.88	5.56	2.52	2.56	-0.04
4	Lorca Jvco Limited	Telecommunications	99.11	97.08	2.03	3.38	2.93	0.45
5	Verisure Midholding Ab	Services: Consumer	98.92	98.59	0.33	2.57	3.63	-1.06
6	Nidda German Topco Gmbh	Healthcare & Pharmaceuticals	99.36	96.07	3.29	3.50	3.70	-0.19
7	Chrome Holdco	Healthcare & Pharmaceuticals	88.01	96.07	-8.07	3.49	3.70	-0.21
8	3I Group Plc	Retail	99.88	95.34	4.54	3.61	3.72	-0.12
9	Vmed O2 Uk Limited	Media: Broadcasting & Subscription	97.77	90.88	6.89	2.59	2.56	0.03
10	Laboratoire Eimer	Healthcare & Pharmaceuticals	93.78	96.07	-2.29	2.68	3.70	-1.02
11	Ion Trading Technologies Limited	High Tech Industries	96.13	96.66	-0.53	4.25	3.88	0.37
12	Ivc Acquisition Pikco Limited	Healthcare & Pharmaceuticals	99.20	96.07	3.12	4.17	3.70	0.47
13	Flamingo Lux Ii Sca	FIRE: Banking, Finance, Insurance & Real Estate	92.90	93.88	-0.99	3.32	3.42	-0.10
14	Sigma Holdco Bv	Beverage, Food & Tobacco	96.20	96.25	-0.05	4.53	3.85	0.68
15	Homevi S.A.S.	Healthcare & Pharmaceuticals	90.04	96.07	-6.03	3.59	3.70	-0.11
16	Winterfell Financing S.A.R.L.	Construction & Building	95.63	95.32	0.31	3.36	3.74	-0.39
17	Boxer Parent Company Inc. (Bmc)	High Tech Industries	99.80	96.66	3.14	3.96	3.88	0.08
18	Odido Netherlands Holding B.V.	Telecommunications	98.29	97.08	1.21	3.00	2.93	0.07
19	Ws Audiology A/S	Healthcare & Pharmaceuticals	97.96	96.07	1.89	4.00	3.70	0.30
20	Quimper Ab	Construction & Building	99.04	95.32	3.72	2.93	3.74	-0.82
21	Bme Group Holding B.V.	Construction & Building	95.17	95.32	-0.16	4.52	3.74	0.78
22	Adria Midco B.V.	Telecommunications	96.52	97.08	-0.56	1.83	2.93	-1.10
23	Inovie Group	Healthcare & Pharmaceuticals	91.32	96.07	-4.75	4.16	3.70	0.46
24	Bcp V Modular Services Holdings Iii Limited	Services: Business	94.40	97.68	-3.28	3.60	3.99	-0.39
25	Lsf10 Xl Investments S.A R.L.	Construction & Building	87.58	95.32	-7.74	4.18	3.74	0.43
26	Vedici Participations	Healthcare & Pharmaceuticals	98.41	96.07	2.34	3.35	3.70	-0.35
27	Mcafee Corp.	High Tech Industries	98.24	96.66	1.58	3.85	3.88	-0.03
28	Circet Holding Sas	Telecommunications	99.14	97.08	2.06	3.25	2.93	0.32
29	Kantar Global Holdings S.A R.L.	Services: Business	98.11	97.68	0.43	3.52	3.99	-0.47
30	Nouryon Holding B.V.	Chemicals, Plastics, & Rubber	99.74	95.22	4.51	4.25	3.59	0.66

Appendix

An overview of the MMC industries for loans in US CLO portfolios is also available on Moody's Analytics Structured Finance Portal:

» US CLO Most Common Industry Analysis

An overview of the state of US and Euro CLO reinvestment periods:

» The Ending of Reinvestment Periods for US and Euro CLOs