

RESEARCH

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US CLO Exposure – Q4 2023

Introduction

This paper provides an overview of top current Industries and Issuers¹ exposures in US CLOs as of the end of Q4 2023².

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

The Moody's Most Common Industry exposures' analysis includes the Weighted Average Price³ (WAP), percentage priced below 90, percentage priced below 80 buckets, as well as the quarterly comparison for each category.

For issuer exposures, we have selected the top 30 issuers in US CLOs and analyzed some of their key metrics such as the Weighted Average Price (WAP) and the Weighted Average Spread (WAS). All weighted average calculations are weighted based on exposures' current balance as of 31/12/2023.

It should be noted that over 93% of the overall exposure balance is reported by trustees as US exposures while other jurisdictions each account for less than 2% of it. Due to this concentration level, the breakdown by jurisdiction of US CLO exposures was not included in this study.

¹ Issuers are the ultimate parent companies of the entity issuing the loan in each case. This also corresponds to data published by trustees.

² The fourth quarter (Q4) reports are the most recently published between 01/11/2023 and 31/12/23. If a data point is absent or corrupted the corresponding loan exposure is not included. This represents a small proportion of the overall exposure (under 0.03% of total balance for any given metric considered).

³ 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

US CLOs have the most exposure to the High Tech Industries with a total of 12.00% across US CLOs. This overall exposure has decreased by 0.78% from 12.78% as at the end of Q2 2023.

Over the past three months, the WAP of the High Tech Industries' exposures has decreased by 0.95 points. The percentage of its exposures priced under 90 is 14.11%, 11.62% of which is priced under 80. We also observed an improvement in the industry's exposure prices in the last 3 months with 4.33% of the collateral moving out of the <90 bucket and 2.89% of the collateral moved into the <80 bucket.

Table 1 MMC Industries Ranked by Exposure

MMC Industry	Exposure	3M Δ	WAP	3M Δ	Price <90	3M Δ	Price <80	3M Δ
High Tech Industries	12.00%	-0.78%	94.57	-0.95	14.11%	1.67%	11.62%	4.51%
Healthcare & Pharmaceuticals	11.99%	0.03%	93.41	0.02	16.62%	0.60%	12.16%	2.08%
FIRE: Banking, Finance, Insurance & Real Estate	9.78%	0.25%	98.87	0.33	2.15%	0.48%	1.16%	0.51%
Services: Business	6.69%	-0.70%	96.41	0.01	10.63%	2.65%	5.69%	1.52%
Media: Broadcasting & Subscription	6.36%	1.37%	90.57	-0.56	25.26%	6.34%	11.97%	5.67%
Hotel, Gaming & Leisure	4.46%	-0.31%	98.89	0.55	3.24%	0.23%	1.22%	-0.46%
Telecommunications	4.22%	0.55%	86.39	-2.81	44.84%	6.79%	26.11%	7.65%
Chemicals, Plastics, & Rubber	4.07%	-0.21%	95.72	-0.79	9.38%	-0.74%	6.35%	2.18%
Construction & Building	3.90%	-0.26%	98.19	0.56	6.33%	0.73%	0.94%	0.47%
Capital Equipment	3.62%	-0.12%	98.58	0.29	4.75%	-1.17%	0.71%	0.35%
Beverage, Food & Tobacco	3.37%	-0.12%	96.23	-0.25	13.64%	1.12%	6.40%	1.80%
Retail	3.31%	0.24%	92.37	-1.56	14.80%	3.34%	9.14%	4.13%
Aerospace & Defense	2.94%	-0.30%	99.02	0.06	1.94%	1.12%	1.10%	0.39%
Containers, Packaging & Glass	2.86%	-0.16%	96.30	0.40	11.41%	0.37%	5.85%	1.46%
Services: Consumer	2.81%	-0.17%	95.43	-0.71	15.51%	5.91%	7.49%	2.25%
Automotive	2.78%	-0.11%	97.47	0.37	10.66%	3.69%	1.79%	-0.13%
Utilities: Electric	2.60%	0.36%	98.38	0.55	5.85%	1.50%	0.10%	-2.78%
Transportation: Consumer	2.08%	0.20%	97.17	-0.62	14.25%	1.51%	3.13%	1.42%
Energy: Oil & Gas	1.98%	0.17%	97.38	-1.40	6.15%	4.97%	2.71%	1.55%
Consumer goods: Durable	1.84%	-0.14%	96.43	0.81	12.11%	3.99%	3.01%	0.22%
Media: Advertising, Printing & Publishing	1.31%	0.25%	97.35	0.33	2.85%	1.00%	2.70%	0.88%
Consumer goods: Non-durable	1.22%	-0.17%	90.98	-2.44	17.05%	1.61%	16.05%	6.93%
Transportation: Cargo	1.09%	0.09%	96.58	-0.85	12.46%	11.08%	0.80%	0.80%
Media: Diversified & Production	0.96%	0.20%	96.97	-0.03	3.18%	-15.84%	2.31%	1.52%
Metals & Mining	0.68%	-0.12%	97.74	-0.68	3.78%	2.13%	2.48%	1.29%
Environmental Industries	0.64%	-0.16%	97.50	-0.13	5.51%	-1.36%	0.06%	0.06%
Energy: Electricity	0.27%	0.08%	96.67	1.79	4.99%	0.12%	0.00%	-3.88%
Forest Products & Paper	0.12%	-0.01%	97.19	-0.69	0.19%	0.19%	0.00%	0.00%
Utilities: Oil & Gas	0.03%	0.03%	96.02	-3.92	0.00%	0.00%	0.00%	0.00%
Total / Average	100.00%	0.00%	95.50	-0.42	12.40%	2.15%	7.02%	2.23%

Top Loan Issuers of US CLO Portfolios

Of the top 30 issuers by exposure, six have a WAP under the 90 threshold with the lowest at 46.73 for Sinclair Broadcast Group (Inc.). This is mainly due to the difficulties of its subsidiary Diamond Sports Group⁴ and the impact they have had on its 2nd lien loans' prices.

Altice NV represents the highest issuer exposure to US CLOs. Its loans' and bonds' WAP is at 93.24, and is 2.67 points higher compared to that of peers in the same MMC Industry. Their WAS is 1.20% higher compared to the other exposures from the same MMC Industry.

Table 2 Top 30 Issuers by Exposure

Rank	Issuer	MMC Industry	WAP	Industry WAP	Difference	WAS	Industry WAS	Difference
1	Altice NV	Media: Broadcasting & Subscription	93.24	90.57	2.67	4.45	3.25	1.20
2	Liberty Global Plc	Media: Broadcasting & Subscription	99.50	90.57	8.93	2.44	3.25	-0.81
3	Asurion Group, Inc.	FIRE: Banking, Finance, Insurance & Real Estate	98.68	98.87	-0.19	3.99	3.28	0.72
4	Altice Usa, Inc.	Media: Broadcasting & Subscription	96.44	90.57	5.87	2.72	3.25	-0.53
5	Lumen Technologies, Inc.	Telecommunications	75.54	86.39	-10.85	2.06	3.42	-1.36
6	Ineos Limited	Chemicals, Plastics, & Rubber	99.70	95.72	3.99	3.20	3.81	-0.61
7	Sinclair Broadcast Group, Inc.	Media: Broadcasting & Subscription	46.73	90.57	-43.84	3.64	3.25	0.38
8	Ukg Inc.	High Tech Industries	100.26	94.57	5.69	3.62	3.72	-0.10
9	Vmed O2 Uk Limited	Media: Broadcasting & Subscription	99.38	90.57	8.81	2.76	3.25	-0.49
10	Ss&C Technologies Holdings, Inc.	High Tech Industries	100.14	94.57	5.57	1.87	3.72	-1.85
11	Transdigm Group Incorporated	Aerospace & Defense	100.34	99.02	1.32	3.24	3.43	-0.19
12	Medline Borrower, LP	Healthcare & Pharmaceuticals	100.07	93.41	6.66	3.00	3.80	-0.80
13	Brookfield Wec Holdings Sub-Aggregator LP	Utilities: Electric	100.21	98.38	1.82	2.90	3.21	-0.31
14	Peraton Corp.	Aerospace & Defense	100.12	99.02	1.10	4.08	3.43	0.65
15	Acrisure, LLC	FIRE: Banking, Finance, Insurance & Real Estate	99.34	98.87	0.47	3.73	3.28	0.46
16	Univision Holdings, Inc.	Media: Broadcasting & Subscription	99.93	90.57	9.36	3.38	3.25	0.13
17	Calpine Corporation	Utilities: Electric	99.90	98.38	1.51	2.14	3.21	-1.07
18	American Airlines Group Inc.	Transportation: Consumer	100.13	97.17	2.96	2.99	3.36	-0.37
19	Zayo Group Holdings, Inc.	Telecommunications	85.63	86.39	-0.76	3.15	3.42	-0.27
20	Vistra Corp.	Utilities: Electric	99.98	98.38	1.59	1.76	3.21	-1.46
21	Phoenix Guarantor Inc.	Healthcare & Pharmaceuticals	99.91	93.41	6.50	3.36	3.80	-0.44
22	Quikrete Holdings, Inc.	Construction & Building	100.34	98.19	2.15	2.66	3.49	-0.82
23	Atlas Ontario LP	Services: Business	98.98	96.41	2.57	3.82	3.83	-0.01
24	United Airlines Holdings, Inc.	Transportation: Consumer	101.03	97.17	3.86	4.18	3.36	0.82
25	Global Medical Response, Inc.	Healthcare & Pharmaceuticals	77.89	93.41	-15.52	4.25	3.80	0.45
26	Athenahealth Group Inc.	Healthcare & Pharmaceuticals	99.44	93.41	6.03	3.21	3.80	-0.59
27	Great Outdoors Group, LLC	Retail	100.04	92.37	7.67	3.76	3.68	0.08
28	Mcafee Corp.	High Tech Industries	99.33	94.57	4.77	3.76	3.72	0.04
29	Charter Communications, Inc. (Old)	Media: Broadcasting & Subscription	99.70	90.57	9.13	1.76	3.25	-1.49
30	Micro Holding Corp.	High Tech Industries	98.30	94.57	3.73	4.09	3.72	0.37

⁴ For a more detailed overview of this exposure please refer to the Diamond Sports Group CLO Exposure report, see link in the appendix.

Appendix

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

- » <https://sfportal.com/downloads/AnalyticalResearch/US%20CLO%20Most%20Common%20Industry%20Analysis%205-2-22.pdf>

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

- » <https://sfportal.com/downloads/AnalyticalResearch/Reinvestment%20Period%20Ending%20Soon%201-31-23.pdf>

Diamond Sports Group CLO Exposure Report:

- » <https://sfportal.com/downloads/AnalyticalResearch/Diamond%20Sports%20Group%2011-5-20.pdf>

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