CLO 2013-X for Alcentra, via Jefferies, was notable for its long reinvestment period, which stretches to around the 4.75-year mark. According to LCD data, three European CLO resets have now priced this year with a reinvestment period of 4.75 years or more, including Euro-Galaxy VII CLO for PineBridge and Avoca Capital CLO X for KKR, with the latter extending to around five years.

The bulk of the triple-A notes on the Jubilee CLO 2013-X reset pay 83 bps, while the deal also includes a €30 million chunk of triple-A rated class A-2 notes paying 100 bps. Similarly, the reset of Crosthwaite Park CLO, which priced the week prior, featured a junior triple-A tranche that paid a coupon of 120 bps, versus the bulk of the rest of the notes, which paid 85 bps.

Jefferies also led the refinancing of the €242.42 million triple-A notes of Investcorp's Harvest CLO XI, a vehicle that was previously reset in 2017 and has a reinvestment period that runs off in June this year. At 65 bps, pricing came in tighter than the 68 bps spread on the refinancing of Harvest CLO IX which priced last week, for which the reinvestment period runs off in August.

Prior to Investcorp's latest refinancing, triple-A spreads on refinancings for vehicles that have around 0.5 years or less of their reinvestment period left have ranged between 66-68 bps since hitting current market lows on 60 bps in February.

Elsewhere, Barclays priced the €290.5 million refinancing of BlueMountain Fuji EUR CLO III at 72 bps across the triple-A notes. The deal — which has a non-call period for resets and liquidation ending July 15, 2022, with no further partial refinancings permitted — has just over one year left to run on its reinvestment period, which also ends July 2022.

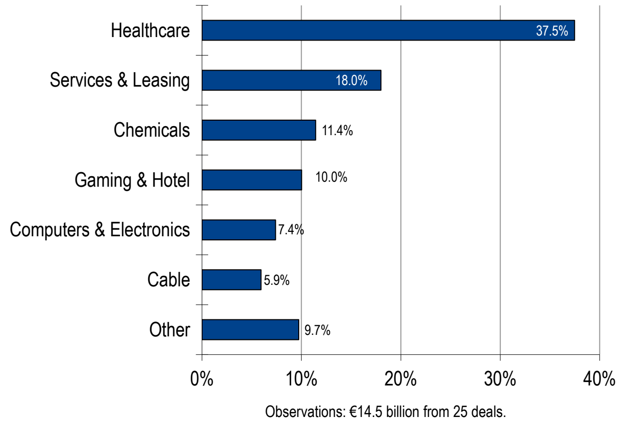
Mid-market and direct lending: Health kick

New fund raising, an ESG-linked unitranche and new hires were all colouring this week's news stream, thereby illustrating the good health and relevance of the European direct lending market.

Starting with the fundraising, Park Square Capital this week announced the final closing of its fourth subordinated debt fund, resulting in total investable capital of €2.2 billion. Park Square Capital Partners IV and related vehicles raised €1.8 billion of equity commitments, exceeding its target of €1.5 billion. The total raised represents an increase of 48% over its predecessor fund, PSCP III, which had €1.5 billion of investable capital.

Among new debt raisings, Partners Group, Pemberton and Bank of Ireland have committed bilateral unitranche debt financing for Eurazeo's acquisition of **Aroma-Zone**. Bank of Ireland will also provide a revolving credit facility. The

European leveraged loan issuance, by industry (last 30 days)



Source: LCD, an offering of S&P Global Market Intelligence *Data is through last 30 days

unitranche financing supporting the acquisition of Aroma-Zone is ESG-linked, and is the third European ESG-linked unitranche provided by Partners Group in 2021.

Elsewhere in private debt this week and Kartesia is providing a £30 million senior loan facility to pan-European cloud services business, **Kerv Group Ltd**. The capital will be used in part to support the firm's acquisition of digital transformation business cloudThing, which is Kerv's fifth such deal in the past ten months, and its largest to date in terms of value. In addition to being used to finance the acquisition of cloudThing, proceeds from the loan facility will be used to support Kerv's ongoing buy-and-build strategy, as well as refinancing some of its existing debt.

On the new-hire front, Capital Four has appointed Jan Hebeler to join as a director in the firm's Private Debt Structuring and Origination team. Hebeler has worked within origination and structuring since 1998. For the past 17 years, he worked in the Leveraged Finance team at SEB in Stockholm. Previously, he held positions within investment banking at Credit Suisse and BNP Paribas in London, Paris and Frankfurt.

Special situations

If the good health of the direct lending market is nothing short of tangible, many businesses have to come to terms with the COVID-19 crisis, and the number of special situations activities and other rescue financings are expected to increase significantly, legal experts say.

So far, default rates in the wider leveraged debt markets have remained relatively low (see Distressed section for details), given the amount of liquidity and support from governments, sponsors, debt funds and the strength of the high yield market that is currently bailing out many weaker and lower-rated borrowers. While 2020 saw a peak in pandemic-related defaults and an increase in debt restructurings for some borrowers, overall insolvency numbers were very low, and a number of borrowers managed to buy time by raising liquidity (either equity, new debt or via RCF drawdowns) and/or by obtaining covenant waivers and debt amendments. This meant that the need for tapping distressed debt investors was reduced. Similarly, the visibility for distressed investors as to 'what happens next' was severely reduced during this period. Moreover, the traded term loan and high yield bond markets did not show sustained volatility, making it more difficult for distressed investors to deploy opportunistic capital, explains Aymen Mahmoud, Partner at McDermott Will & Emery.

However, Mahmoud thinks a few changes are expected this year. Last year for example, borrowers were more willingly providing information to lenders to engage them early in any debt amendment discussions and to secure liquidity. This year, however, there will probably be a greater focus on actual results rather than the projections that borrowers and lenders were forced to work with in the midst of the pandemic. The interaction between lenders and borrowers is more trusting following this supply of information not otherwise required by documentation. "On both sides, we have seen patience from lenders and proactive engagement from borrowers," said Mahmoud.

Also, a greater likelihood of increased secondary trading volume is expected for this year where it becomes increasingly unlikely that new equity will be injected, Mahmoud adds. Although sponsors have so far been very supportive in deploying some of the significant dry powder in the market, where there is true distress, sponsors may be reticent to back a loss-making investment. Where things have gone too far, or where the unwinding of government intervention takes place very quickly, however, this may lead to reduced backing by sponsors of providing liquidity. Where a sponsor is less likely to inject new money, it becomes more likely that a distressed or special situations investor may take a position in a business they want to own, or even to arbitrage a return, particularly where documentary transfer restrictions start to fall away following events of default.

LCD Leveraged Loan Stats: Europe (rolling three months)

Leveraged loans	3ME 06/05/21	Apr 2021	Mar 2021
First lien debt to EBITDA	5.0x	4.9x	4.9x
First+second lien debt to EBITDA	5.3x	5.2x	5.1x
Total debt to EBITDA	5.6x	5.5x	5.5x
Sponsored loans			
First lien debt to EBITDA	5.1x	5.0x	4.8x
First+second lien debt to EBITDA	5.4x	5.3x	5.1x
Total debt to EBITDA	5.7x	5.6x	5.4x

Source: LCD, an offering of S&P Global Market Intelligence

Bankruptcies and insolvencies are also expected to increase. Companies operating in the mid-market may be more vulnerable to exposure than their larger counterparts, and may find it harder to secure financing. But non-bank lenders, including through restructuring or special situations financing, may offer an alternative pathway to secure funding.

So far the relative lack of true insolvencies compared with previous years has not come to fruition and there has been more limited deployment possibility for those types of funds. Borrowers have managed to secure financing from more traditional lending institutions, particularly the credit funds. Larger-cap business are typically more able to withstand extended periods of challenge, both financially and with the greater documentary flexibility available to them, including the ability to incur additional debt and cov-lite regime. As such the only real defaults are payments defaults compared with the mid-market, which has a wider range of defaults which trigger much earlier. Therefore, for smaller companies the market can expect to see an increased number of insolvencies, Mahmoud says.

— David Cox, Francesca Ficai, Nina Flitman, Michael Rae, Isabell Witt

Recent Amendments – Europe

Issuer	Amend date	Original loan date	Sector	Sponsor	S&P ratings outlook	Amendment type
eDreams	30/04/2021	11/09/2018	Entertainment & Leisure	Not Sponsored	Negative	Cov Relief
Oberthur	19/03/2021	30/11/2016	Computers & Electronics	Advent International	Negative	A-E
Hurtigruten	26/02/2021	24/01/2018	Transportation	TDR Capital	Negative	Cov Relief
Saga	26/01/2021	03/05/2017	Insurance	Not Sponsored	Stable	Cov Relief
Hyperion Insurance	22/01/2021	15/10/2020	Insurance	General Atlantic Partners	Stable	A-E
Alstom	11/01/2021	28/05/2014	Manufacturing & Machinery	Triton Managers	Negative	A-E
Arvos	11/01/2021	31/03/2017	Manufacturing & Machinery	Triton Managers	Negative	A-E

Source: LCD, an offering of S&P Global Market Intelligence