

Leveraged Finance

U.S. And Canada Summary Report

Feb. 8, 2022

Key Insights

- **Upgrades Led Rating Actions:** The tilt toward positive rating actions continues in 2022 as upgrades have continued to outpace downgrades in the speculative-grade category. There were 19 upgrades and 11 downgrades in the spec-grade category for the month of January. We entered 2022 with positive credit momentum stemming from favorable financing conditions and a robust economic recovery. That said, inflationary pressures, lingering coronavirus cases related to the omicron variant, supply disruptions (including labor shortages), and expectations for interest rates hikes have clouded the near-term economic outlook. However, credit conditions remain largely favorable.
- **2022 Speculative-Grade New Issuers Outpaced 2021:** There were 27 new U.S. and Canadian spec-grade corporate issuers year to date as of Jan. 31, 2022, which reflects an increase of 10 issuers relative to the same period in 2021. The three sectors that had the largest number of new issuers were health care; business and consumer services; and consumer products (see chart 4).
- **The Pace Of Defaults Continued To Slow:** The North American 2022 corporate default tally is at two, which is lower than our tally at the same point in 2021. Given the continued slowdown in the number of defaults, the U.S. 12-month trailing spec-grade default rate dropped to 1.5% as of Dec. 31, 2021, which is its lowest level since July 2014. If this trend continues, we can expect the spec-grade default rate to drop further.¹
- **Speculative-Grade Rating Outlook Mix Appears Favorable:** Our rating outlooks continue to shift toward stable or positive and we now have stable outlooks on about 76% of the U.S. and Canadian issuers we rate in the spec-grade category. The 'B-' rated cohort remains the largest segment of the spec-grade category at 26% and 82% have stable outlooks. Compared with January 2021, the proportion of negative CreditWatches/outlooks has notably declined to 13% from 38%. At the start of 2021, the economic recovery remained uneven because the pandemic was proving hard to contain. However, issuer credit quality has continued to slowly recover as the world adapts to new COVID variants.
- **New Beginnings For Collateral Loan Obligation (CLO) Issuance:** Based on LCD data, last week's sparse U.S. market pricing activity included an upsized 2022 debut deal for last year's pacesetter, The Blackstone Group, as well as the first deals of the year for Sound Point Capital Management and CIFC Asset Management utilizing the secured overnight financing rate (SOFR) benchmark. The volume of new CLO issuance in January 2022 was off to a slow start at just \$4.9 billion across nine deals. This tally compares with \$9.2 billion across 18 deals in January 2021.² The diversified telecommunications and media and entertainment sectors accounted for six of the top 10 obligors held in U.S. broadly syndicated loan (BSL) CLOs (fourth quarter of 2021).³
- **Recovery Ratings Point Estimates Show Net Increases:** For the month of January 2022, our recovery rating point estimates (see footnote, chart 11) experienced more net increases than decreases. Most of the increases were in the chemicals industry.



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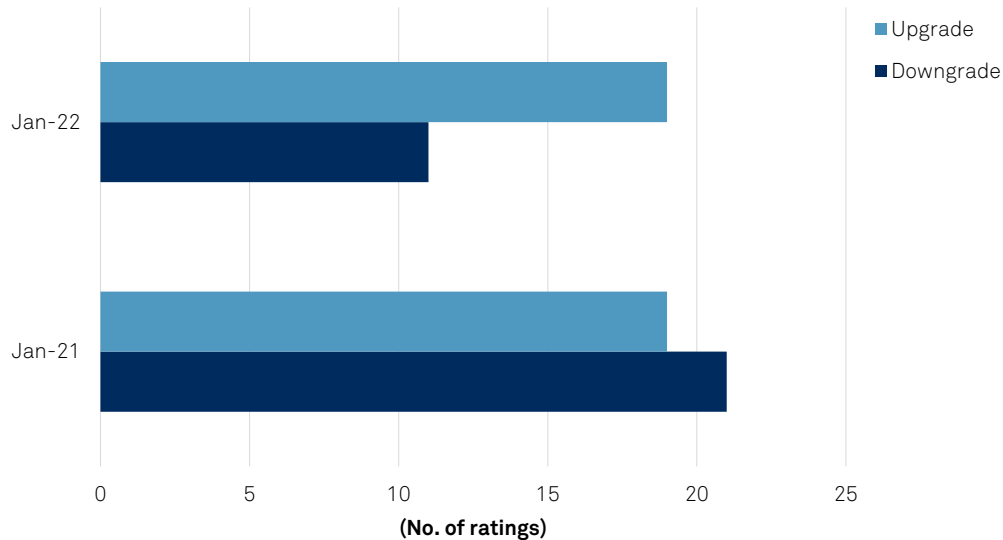
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Rating Actions: Speculative Grade

Chart 1

Upgrades And Downgrades



Note: Data as of Jan. 31, 2021, and 2022. Includes U.S. and Canada corporate ratings. Source: S&P Global Ratings.

PODCASTS

[The Upgrade Episode 18: Lender Recovery Study Update](#), Feb. 7, 2022*

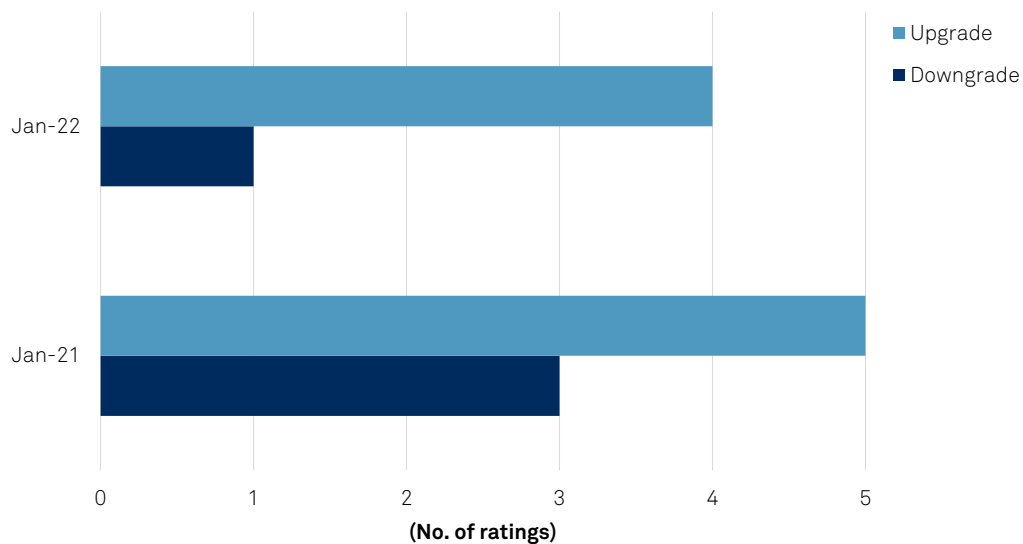
[The Upgrade Episode 17: First-Lien Credit Quality Weakened by Debt Structures And Loan Terms. OPAL 2021 – Takeaways](#), Dec. 20, 2021*

[The Upgrade Episode 16: Why 'CCC' Category Ratings Have Risen But Default Rates Have Not](#), Oct. 26, 2021*

Ratings Actions: Into/Out Of 'CCC'/'CC'

Chart 2

Ratings Coming Into/Out Of 'CCC'/'CC'

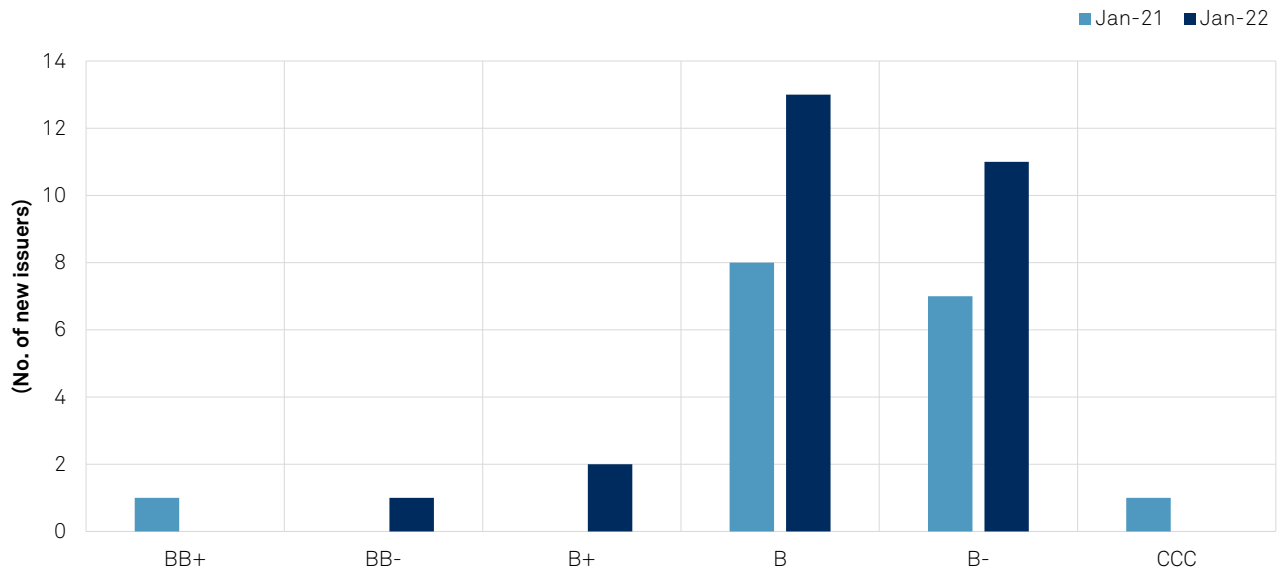


Note: Data as of Jan. 31, 2021, and 2022. Includes U.S. and Canada corporate ratings. Source: S&P Global Ratings.

YTD Speculative Grade New Issuers

Chart 3

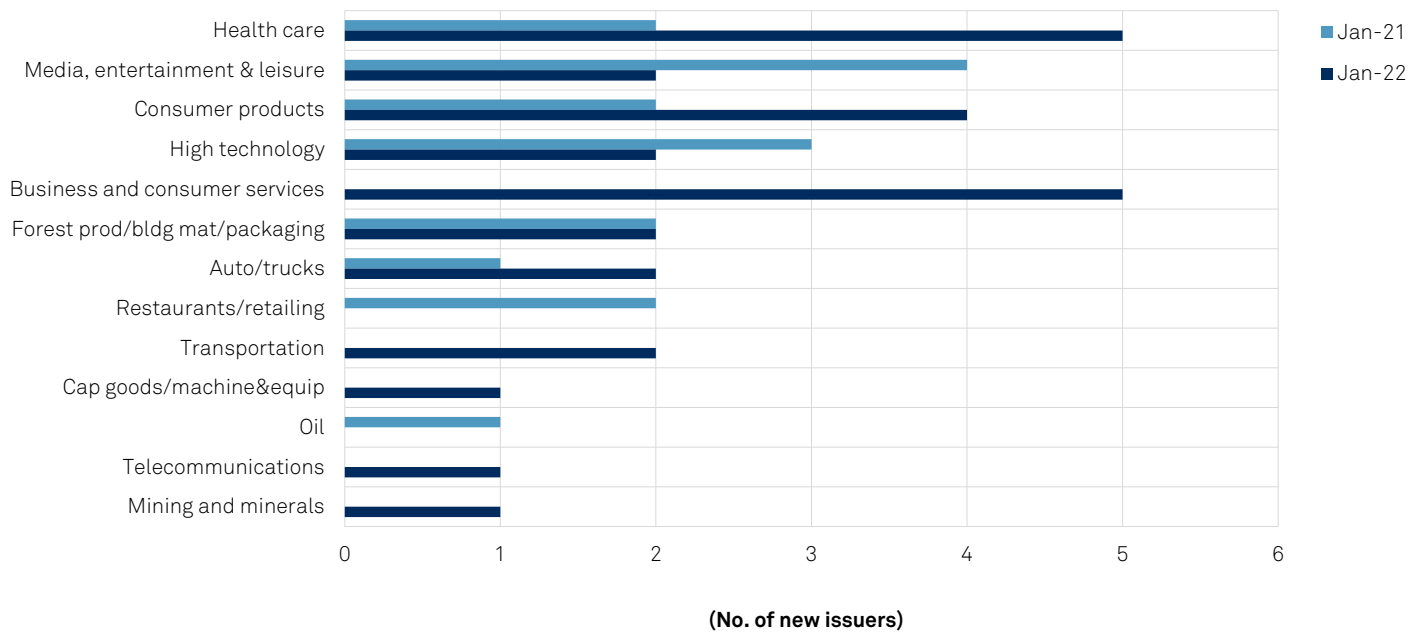
New Issuers By Rating



Note: Data represents new issuers as of Jan. 31, 2021, and 2022. Includes U.S. and Canada corporate ratings, as well as confidential issuers. For the month of January, there were 17 new issuers in 2021 and 27 new issuers in 2022. Source: S&P Global Ratings.

Chart 4

New Issuers By Industry Group



Note: Data represents new issuers as of Jan. 31, 2021, and 2022. Includes U.S. and Canada corporate ratings, as well as confidential issuers. Source: S&P Global Ratings.

Defaults

Ratings Lowered To 'SD'/'D'

Chart 4

Downgrade To 'SD'/'D'



Table 1

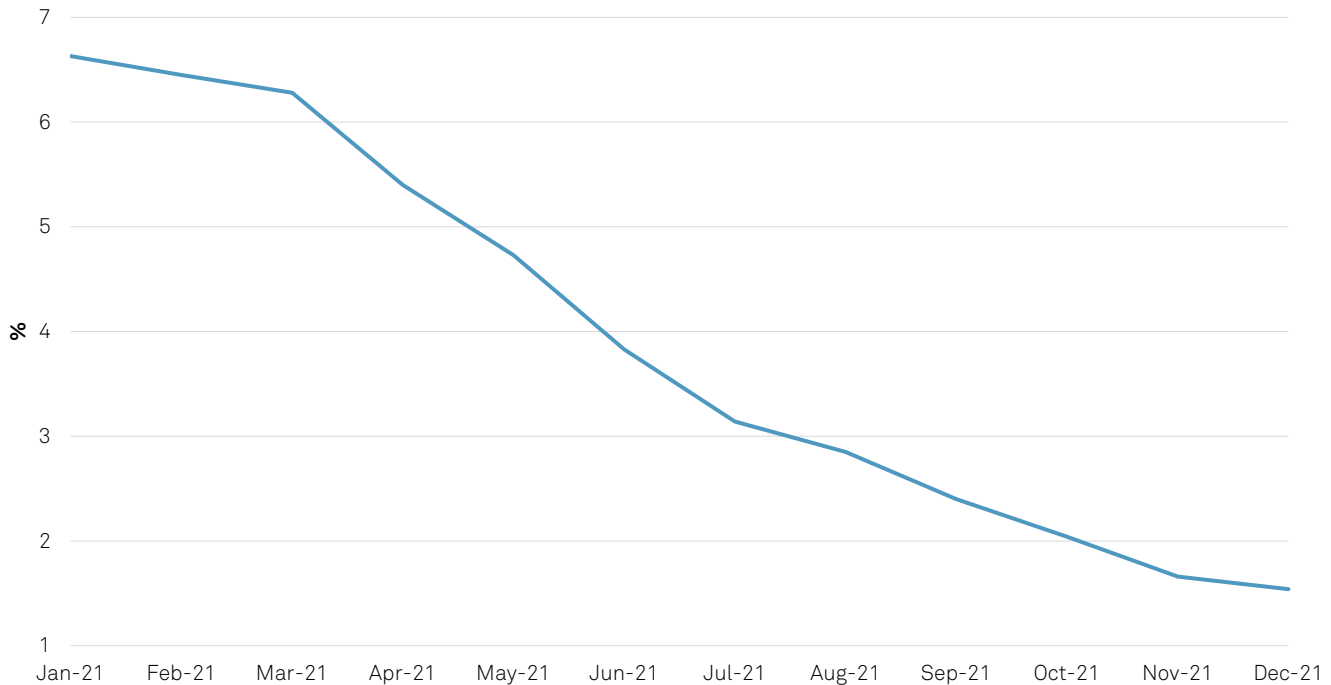
North American Corporate Defaults 2022

Date	Parent Co.	Country	Subsector	To	From	Reason
1/4/2022	Ion Geophysical Corp.	U.S.	Oil and gas	D	CCC	Missed principal and interest pmt.
1/24/2022	Fusion Connect Inc.	U.S.	Telecommunications	SD	CC	Distressed exchange

Note: Data as of Jan. 31, 2022. Includes U.S. (including Cayman Islands in Chart 5) and Canada corporate ratings. SD--Selective default. Source: S&P Global Ratings.

Chart 6

U.S. Trailing 12-Month Speculative-Grade Default Rate



Note: Data as of Dec. 31, 2021. Source: S&P Global Ratings Research and S&P Global Market Intelligence's CreditPro. [Fusion Connect Pushes The 2022 Corporate Default Tally To Three](#), Jan. 31, 2022

Speculative-Grade Rating Outlook Mix

Chart 7

January 2021 Spec-Grade Ratings Distribution

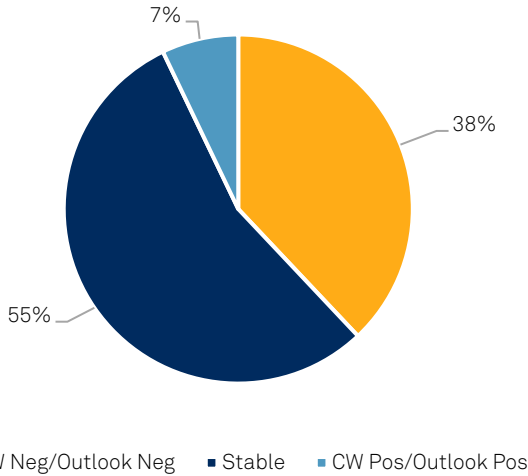
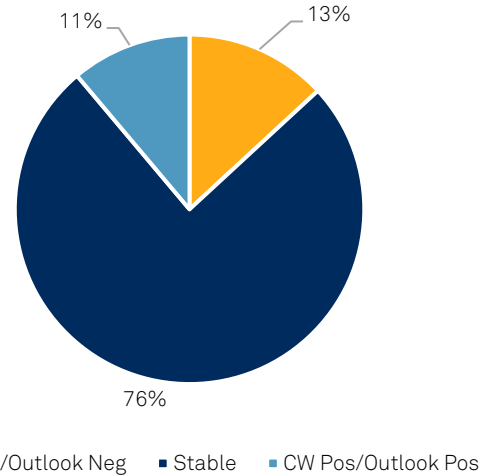


Chart 8

January 2022 Spec-Grade Ratings Distribution



Note: Data as of Jan. 31, 2021, and 2022. Outlook distribution includes all of U.S. and Canada corporate ratings. Does not include investment-grade issuers. Source: S&P Global Ratings.

Chart 9

January 2021 Spec-Grade Ratings Distribution

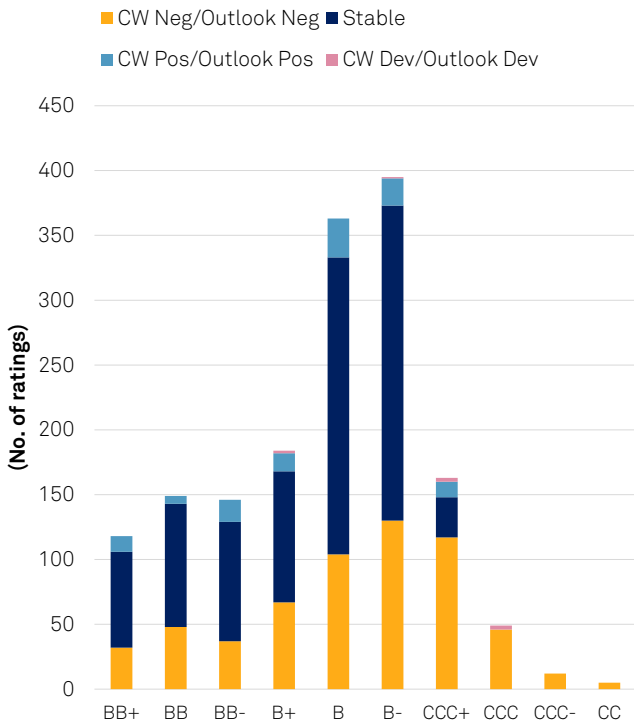
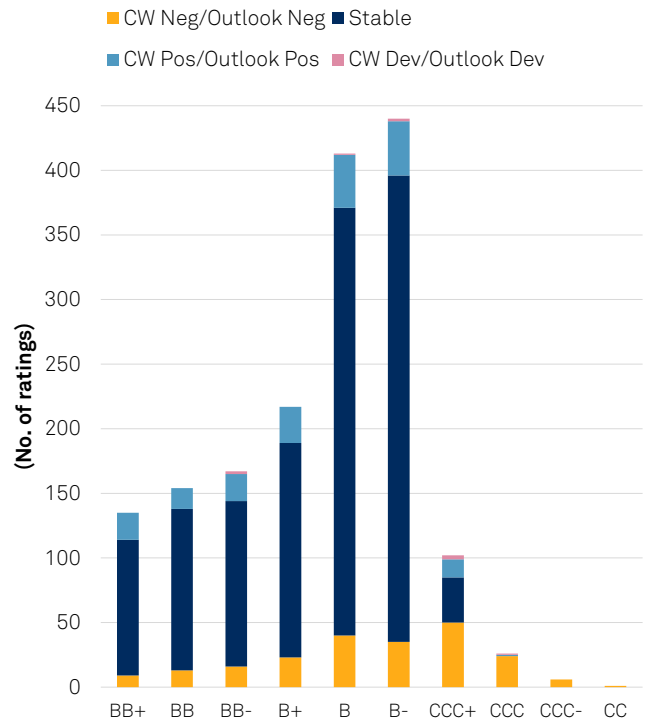


Chart 10

January 2022 Spec-Grade Ratings Distribution



Note: Data as of Jan. 31, 2021, and 2022. Includes U.S. and Canada corporate ratings. Source: S&P Global Ratings.

CLOs

Table 2

Top 10 Obligators Held In U.S. BSL CLOs (Fourth Quarter Of 2021)

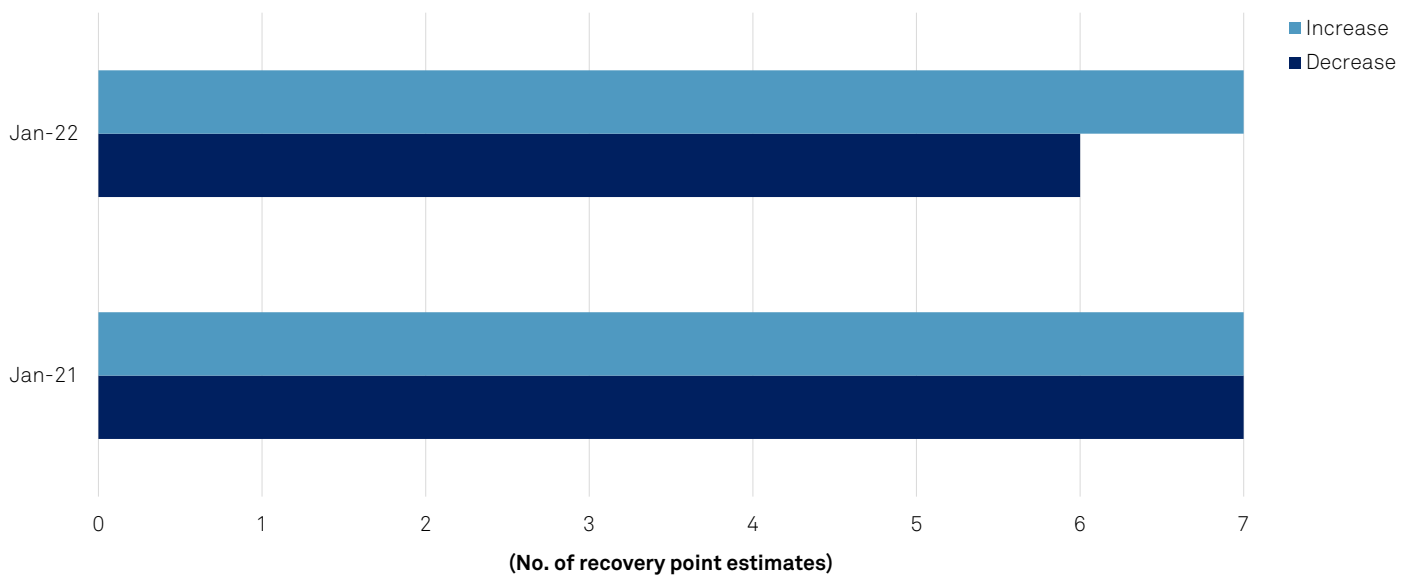
Rank	Issuer	Rating/Outlook	Industry
1	Liberty Global PLC	BB-/Stable	Diversified Telecommunication Services
2	NEWAsurion Corp.	B+/Stable	IT Services
3	Altice Europe N.V.	NR	Diversified Telecommunication Services
4	Lumen Technologies Inc.	BB/Stable	Diversified Telecommunication Services
5	Altice USA Inc.	BB/Stable	Media
6	TransDigm Inc.	B+/Negative	Aerospace and Defense
7	American Airlines Group Inc.	B-/Stable	Airlines
8	Endeavor Operating Co. LLC	B/Negative	Entertainment
9	Sinclair Broadcast Group Inc.	B/Stable	Media
10	Peraton Corp.	B+/Stable	Aerospace and Defense

Note: Ratings/outlooks as of Feb. 7, 2022. Source: S&P Global Ratings. [U.S. BSL CLO Top Obligators And Industries Report: Fourth-Quarter 2021](#), Jan. 7, 2022.

Recovery Ratings

Chart 11

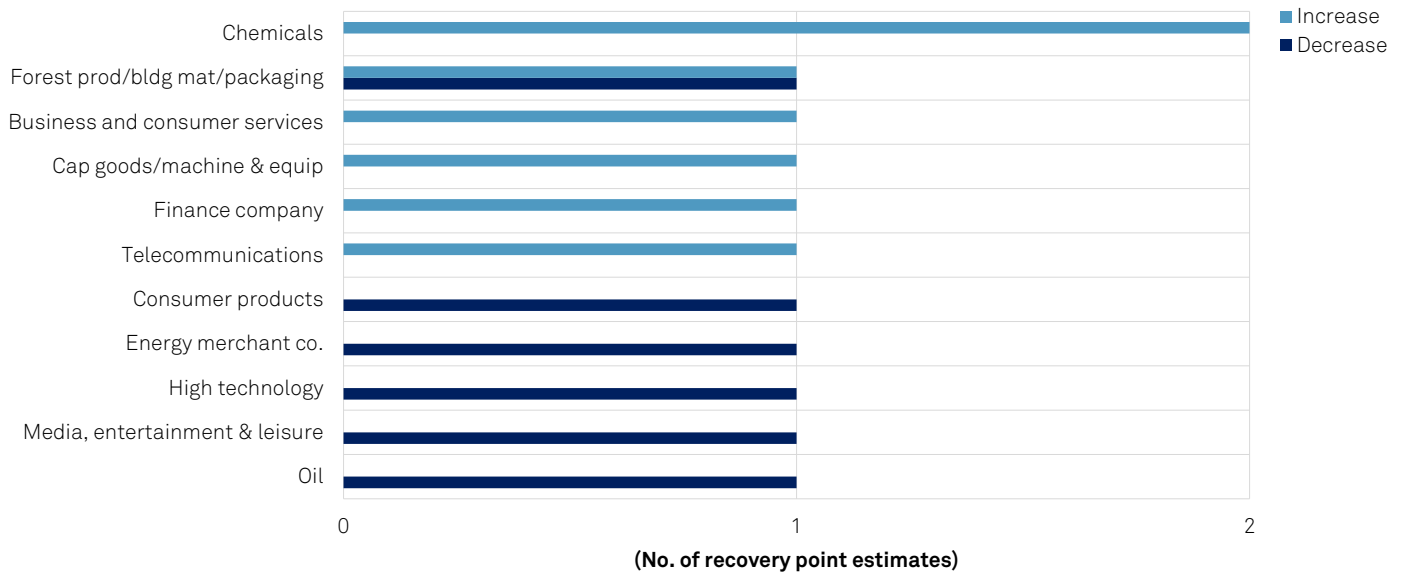
Net Changes In Recovery Point Estimates (Issuer Count)



Note: Data as of Jan. 31, 2021, and 2022. Data only includes recovery point estimate changes equal to or greater than 15% for both senior secured/unsecured notes (e.g., the recovery rate changes from '4' [35%] to '3' [50%]). Source: S&P Global Ratings.

Chart 12

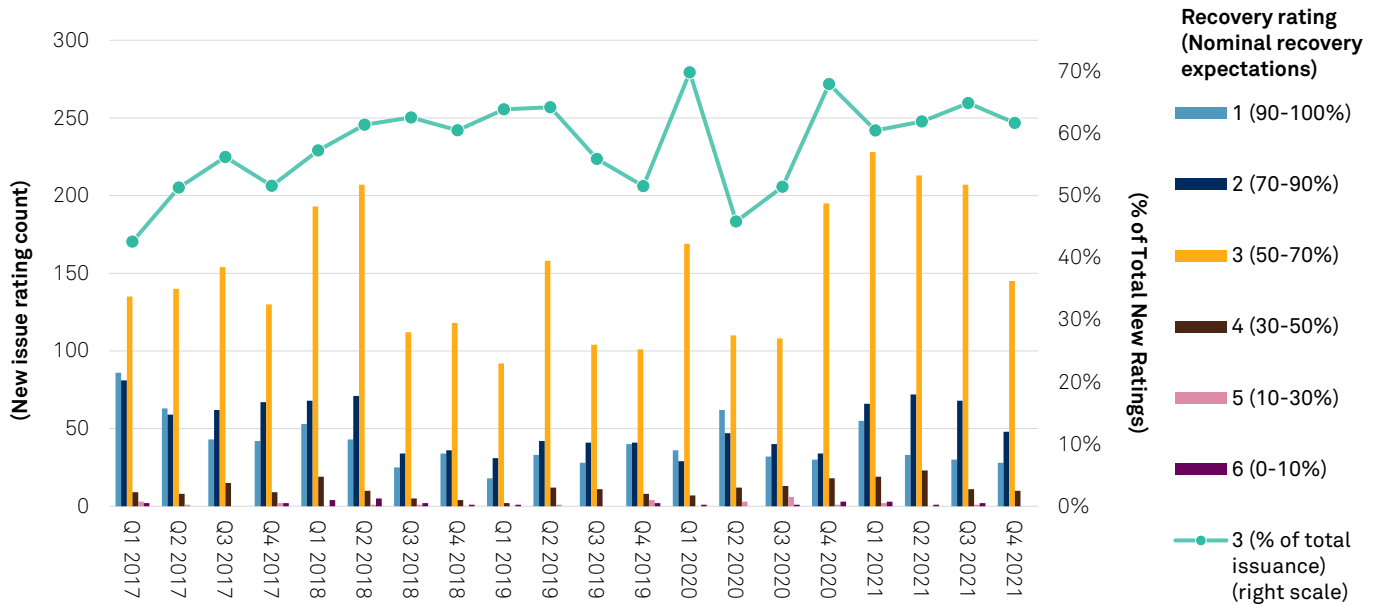
Recovery Point Estimate Changes By Industry Group (Issuer Count)



Note: Data as of Jan. 31, 2022. Only includes recovery point estimate changes equal to or greater than 15% for both senior secured/unsecured notes (e.g., the recovery rate changes from '4' [35%] to '3' [50%]). Source: S&P Global Ratings.

Chart 13

Recovery Ratings Distribution Of First-Lien New Issues (U.S. And Canada)



Source: S&P Global Ratings.

Sources

- ¹ [Fusion Connect Pushes The 2022 Corporate Default Tally To Three](#), Jan. 31, 2022*
- ² [CLO Weekly Review](#), Dec. 21, 2021*
- ³ [U.S. BSL CLO Top Obligors And Industries Report: Fourth-Quarter 2021](#), Jan. 7, 2022*

Related Research

- [Recovering From COVID-19: Why The Timing Of Bankruptcy And Emergence Matters For Debt Recovery](#), Feb. 7, 2022*
- [U.S. Leveraged Finance Q4 2021 Update: Are 'B-' Firms Resilient To Rate Hikes? And Leverage And Recovery Updates](#), Jan. 31, 2022*
- [U.S. Corporate Credit Outlook 2022: New Year, New Risks \(Beyond, Of Course, Inflation\)](#), Jan. 31, 2022*
- [North American Speculative-Grade Corporates Have A Whole Lotta Liquidity \(And Upgrades\)](#), Dec. 14, 2021*
- [U.S. Leveraged Finance Q3 2021 Update: Leverage Is Getting Better \(Almost\) All The Time](#), Oct. 21, 2021*
- [Why 'CCC' Rated Companies Have Risen And Default Rates Have Not](#), Oct. 19, 2021*
- [Risky Credits: Upgrade Potential Is Highest Among U.S. Media And Entertainment 'CCC' Issuers](#), Sept. 16, 2021*
- [Dial M For Merger: Low U.S. Interest Rates Spark A Record Wave Of Private M&A](#), Aug. 26, 2021*
- [A Closer Look At How Uptier Priming Loan Exchanges Leave Excluded Lenders Behind](#), June 15, 2021*

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