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EUROPEAN HIGH YIELD MARCH 2026 WRAP-UP:

Special Situations Make Waves
as Primary Issuance Well Runs
Dry

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European High Yield March 2026 Wrap-Up: Special Situations Make Waves as Primary Issuance Well Runs Dry

European high yield new issuance hit a seven-month low in March according to data from LevFin Insights. The cross-border LBOs from Electronic Arts and Sealed Air did include euro-denominated tranches, but otherwise, the primary issuance well ran dry. However, there were plenty of waves being made in special situations and the secondary market. A pair of issuers, [Maxeda](#) and [Isabel Marant](#), implemented consensual A&Es with more than 95% and 98% bondholder support in March. As far as less harmonious restructurings go, March also saw further developments in [Selecta's](#) ongoing litigation when the defendants filed a motion to dismiss the lawsuit filed by minority bondholders unhappy with the company's aggressive LMT completed in 2025. The market also turned to options to address looming maturities for beleaguered [Merlin](#), along with liability management options for existing bond issuers in the pressured European chemicals market and other industries vulnerable to AI risk, including [Arxada](#) and [Kantar](#). After all, the European high yield bond market is nothing if not a testament to the power of precedent, and the LMT options for currently stressed / distressed issuers may form the roadmap for issuers that may need to implement their own LMT transactions in the future.

Primary Issuance

[Electronic Arts](#) priced a cross-border offering of €1,080 million of 6.25% Senior Secured Notes due 2033 (downsized from €1,250 million with amounts shifted to an upsized term loan), \$2,875 million of 7.25% Senior Secured Notes due 2033 and \$2,500 million of 8.75% Senior Notes due 2034. The financing package also included euro- and dollar-denominated term loans, and backed the [largest](#) all-cash sponsor take-private in history by a consortium of the Public Investment Fund, Silver Lake and Affinity Partners. The covenant package included pick-your-poison investments, leverage-based asset sale step-downs, and, uncommon for high yield bonds, a ratings downgrade condition in the Change of Control.

[Sealed Air](#) also came to market with an LBO by CD&R, pricing an offering of \$600 million euro-equivalent of 7.25% Senior Secured Notes due 2033 and \$1,850 million of 8.25% Senior Secured Notes due 2033, along with \$500 million of 10.5% Senior Notes due 2034. As [flagged](#) by Covenant Review, the bonds initially marketed a "Permitted Business Line Distribution" Restricted Payments carveout that would permit the spin-off of any business line representing less than 50% of EBITDA subject to a 5.5x or "no worse" net first lien leverage ratio test – positively, CD&R relented and this carveout was [removed](#) prior to pricing.

Special Reports

Prompted by Maxeda's restructuring and the introduction of a suite of headline LMT blockers, we published [European Restructuring Playbook: Maxeda's Illusory Blockers](#) where we examined the range of LMT-blockers in the amended notes, which include a Stonegate blocker to protect against asset sales dropdowns, a prying debt blocker, a Chew blocker, and other provisions that limit the

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potential for “double dips”. We discussed whether those protections offer durable bondholder safeguards while highlighting that most can be amended with simple majority consent, potentially rendering the protections illusory in a future non-pro rata restructuring.

After Isabel Marant launched a consent solicitation seeking to extend maturities and amend covenants of its existing bonds, our report, [Isabel Marant: Initial Thoughts on the Consent Solicitation](#), reviewed the proposed amendments and their implications for bondholders. Refreshingly, the transaction was generally “all carrot”, with a broad scope of bondholder-friendly amendments to the covenant package, and “no stick”, as the solicitation was missing a coercive element, such as an exit consent and covenant strip.

Following ratings downgrades and a sharp deterioration in operating performance, our report, [Kronos Worldwide: Liability Management Playbook](#), evaluates the range of liability management transactions that could be executed under Kronos’ high yield bond covenants. We reviewed what the bond covenants permit in the way of potential dropdowns to Unrestricted Subsidiaries or asset sale dropdowns, scope for uptiering and double-dip transactions, and amendment thresholds, while noting the presence of more robust anti-subordination protections than typical for European high yield bonds and a Payments for Consent covenant.

With Merlin yet to articulate a clear plan to refinance its senior notes maturing in 2027 and facing springing maturities elsewhere in the capital structure, we published [Merlin Entertainments: Liability Management Playbook for the Senior Notes](#). In this report, we explored potential liability management pathways under the existing covenants that could be used to refinance the senior notes, including summarizing capacity for structurally senior debt, effectively senior secured debt, dropdown transactions, uptiering, and double-dip structures. We also consider covenant limitations, blockers, and Restricted Payments implications relevant to refinancing the senior notes.

European chemicals company Arxada, which has a significant debt burden and is reportedly considering selling its European microbial control solutions business, was the subject of increased attention as investors considered potential paths forward for the company. In light of this, we published our report [Arxada: Asset Sales and Value-Leakage Implications Under the Bonds](#), where we reviewed the potential for value leakage to Unrestricted Subsidiaries and the requirements of the Asset Sales covenant under Arxada’s existing bond covenants, including potential uses of proceeds. We also set out relevant consent thresholds under the bonds, in the event the 2028 maturities point the company towards an amend and extend or other liability management transaction.

In light of reports that sponsor Advent is preparing a sale of IRCA, our report [IRCA: A Review of the Change of Control Covenant Under the Bonds](#) summarized the Change of Control and redemption provisions governing the company’s existing high yield bonds.

Following Reno de Medici’s announcement that it would miss its March coupon payment in order to preserve liquidity while negotiating a restructuring, our report [Reno de Medici: Covenant Implications of the Missed Interest Payment](#) reviewed the covenant implications of a missed interest payment under the company’s existing high yield bonds, including the relevant default and waiver provisions. We also summarize consent thresholds relevant to a formal extension of the interest payment grace period which can be an area of vulnerability for bondholders in distressed scenarios.

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Our report [Selecta: Notable Arguments in the Motions to Dismiss](#) analyzed the principal arguments advanced in the Selecta defendants' motions to dismiss the New York complaint filed by minority holders of Selecta's former first lien notes following Selecta's aggressive 2025 liability management transaction, in particular arguments regarding the novel U.S. antitrust claims in connection with the cooperation agreement entered into by, and other actions of, the ad hoc group of investors, and responses to alleged breaches of English-law minority protection principles. Covenant Review will continue to follow the ongoing litigation with an eye to the broader implications for the use of cooperation agreements and other critical aspects of European liability management transactions, including ICA drags and the minority protection principle.

Prompted by heightened market scrutiny following the collapse of First Brands and allegations of extensive trade-finance-related misconduct, our report [Trade Finance Risk in European High Yield and Leveraged Loans After First Brands](#) provides a user-friendly overview of common trade finance instruments and their covenant treatment in European high yield bonds and leveraged loans.

Following the refinancing and recapitalization of the wider Ardagh Group and inquiries from subscribers, we published [Ardagh Metal Packaging: Frequently Asked Questions About the Change of Control Covenant and Certain Value-Leakage](#). We answer some of the most frequent inquiries around Ardagh Metal Packaging's Change of Control provisions and Asset Sales covenant. We also address the ability of Ardagh Metal Packaging to pay dividends to the Ardagh Group, and answer common questions around certain bespoke restrictions in Ardagh Group's bonds regarding the use of proceeds received from a sale of Ardagh Metal Packaging equity and/or dividends or distributions paid by Ardagh Metal Packaging.

Amid ongoing challenging trading conditions and elevated leverage, we published [Kantar: Liability Management Playbook Under the Bonds](#) exploring what Kantar's high yield bond covenants permit in a stressed or restructuring scenario. The review assesses capacity for Unrestricted Subsidiary dropdowns, structurally senior and effectively senior debt, priming and super-senior financings, and potential double-dip transactions, alongside a discussion of consent thresholds and the absence of robust anti-subordination protections that could shape any future liability management exercise.

Following Grifols' announcement of its plans to pursue an IPO of its U.S. Biopharma business, we reviewed how proceeds from such a transaction could be applied under the Company's existing high yield bond covenants in our report [Grifols: How can the Company use proceeds from an IPO of its US Biopharma Business under the Bonds?](#)

Secondary Market Reports

In March, we also added to our library of secondary market reports:

- Our report, [Air Baltic Corporation: €340,000,000 14.5% Secured Bonds due 2029](#), reviewed airBaltic's "chimera" covenant package, pointing out deviations from more standard high yield style covenants where relevant.
- When Maxeda launched a consent solicitation to bondholders, we reviewed the amended indenture for its [8.125% Senior Secured Notes due 2031](#), which, as expected, featured materially tighter covenants, including the aforementioned smorgasbord of blockers discussed above.
- We also reviewed [Löwen Play's 9.25% Senior Secured Notes due 2028](#) issued in an amend and

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extend transaction implemented through a UK Scheme of Arrangement; again typical for restructuring deals, but unfortunately not for the market generally, value-leakage by way of dividends and Unrestricted Subsidiaries was limited, as was structurally senior debt.

- We published [Graanul Invest's Senior Secured Fixed and Floating Rate Notes due 2029](#), issued pursuant to its amend and extend transaction completed last year, pursuant to which covenants were tightened substantially, including the wholesale removal of the Unrestricted Subsidiary concept and amendments to clamp down on debt incurrence (including stripping the egregious 200% pick your poison and equity credit debt baskets).

Covenant Education

Our video on-demand [Building Knowledge & Understanding the Basics Series](#) is available to subscribers, providing easy access to a comprehensive course in European high yield bond and leveraged loan covenant fundamentals. The series is presented in bite-size modules, designed to fit into busy schedules and allow subscribers to master core covenant concepts at their own pace. Each module is focused on a particular covenant or series of related covenant concepts and presented by Covenant Review lawyers, with practical examples from European debt documentation and explanations aimed at facilitating subscribers' day-to-day credit documentation analysis.

— *Covenant Review*

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