

ANNUAL NEW YORK CONFERENCE  
**2024 OUTLOOK**

# The Liability Management and Bankruptcy Landscape and Outlook

**Matt Zloto:** Global Head of Leveraged Finance, *CreditSights*

**Hon. James M. Peck:** Former US Bankruptcy Judge, *SDNY*; Chair of Cross-Border Restructuring and Mediation Practices, *Morrison & Foerster LLP*

**Paul Sheaffer:** Partner in the Restructuring and Special Situations Group, *PJT Partners*

**Ty Wallach:** Managing Director & Chief Investment Officer of Credit, *Atlas Merchant Capital*

**CreditSights**  
a FitchSolutions Company

Research  
CovenantReview  
LevFinInsights

# Our Panelists



## **The Honorable James M. Peck**

- Former U.S. Bankruptcy Judge in the Southern District of New York
- Chair of Morrison & Foerster's Cross-Border Restructuring and Mediation Practices



## **Ty Wallach**

- Managing Director and CIO of Credit at Atlas Merchant Capital
- Previously a Partner and Co-Portfolio Manager at Paulson



## **Paul Sheaffer**

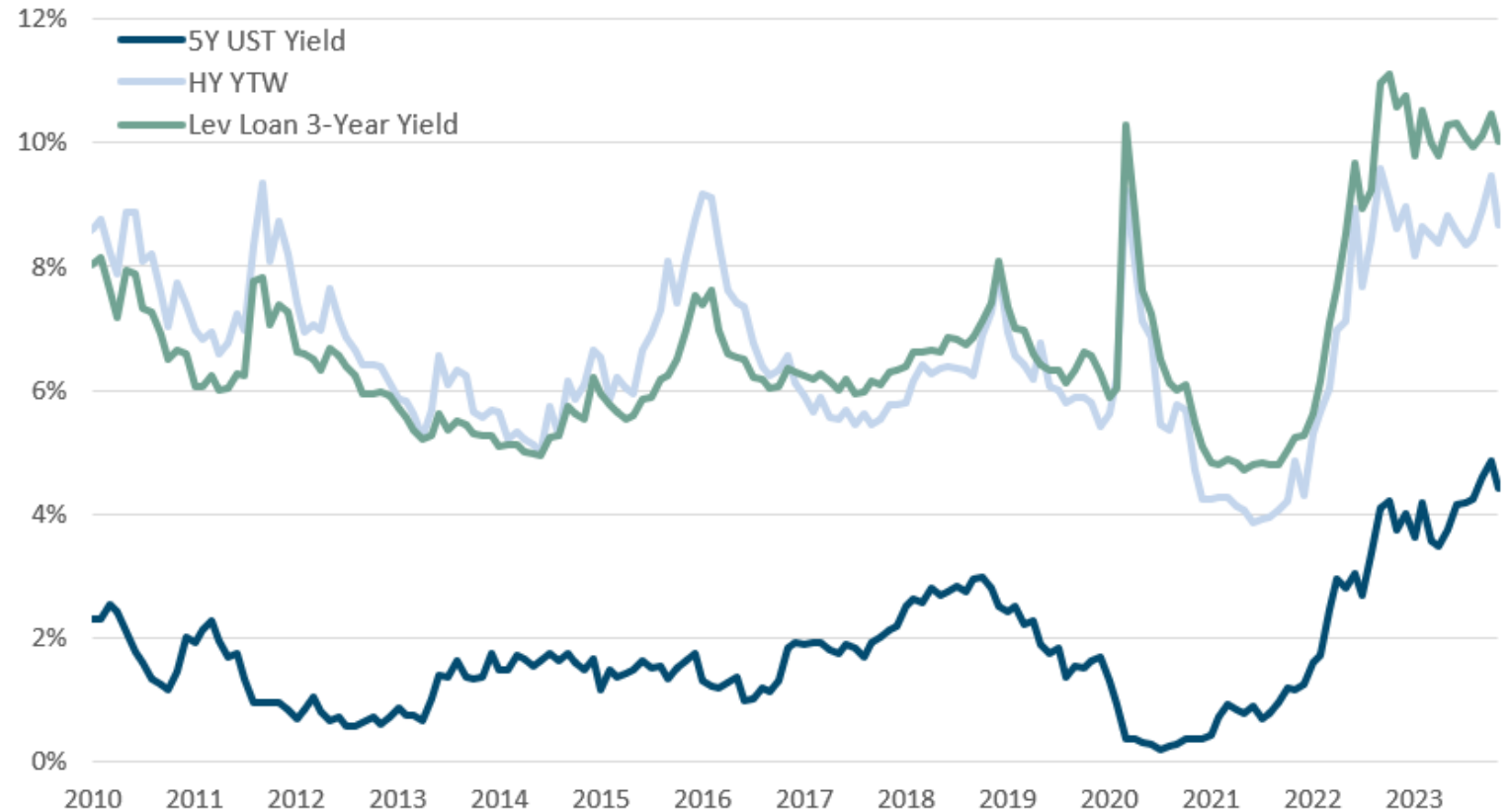
- Partner at PJT Partners in the Restructuring and Special Situations Group
- Previously worked at Blackstone and Angelo Gordon



# “Easy Money” and Low Interest Rates Are Over

- Since the end of '21 the 5-year treasury yield has increased ~3x.
- Loan issuers have seen interest costs rise alongside rates.
- Bond issuers are seeing significantly higher borrowing costs on refinancing.

Rising US Rates & Yields



Source: Bloomberg, Factset, CreditSights

# Maturities Picking up in 2024 & 2025

- There are more than \$300 bn of HY and Loan maturities in '24/'25.
- Of that, more than \$190 bn is from issuers who have 50% or more of their capital structure coming due.
- For bond issuers, especially lower rated ones, marking that coupon to market will be costly.
- Elevated interest costs likely to become an issue for both bond and loan issues if risk free rates remain elevated for longer.

Bond Only Capital Structures with >=50% of Bonds Maturing Through 2025						
	# of Issuers	Total Outstanding (\$MM)	Total Maturing (\$MM)	Average Coupon on Maturities Through '25	Current YTW	Difference*
Total	75	66,308.4	53,562.3	6.4%	8.9%	-243 bp
BB	33	34,205.5	24,584.9	5.4%	7.4%	-194 bp
B	32	20,990.1	18,239.6	6.6%	9.1%	-247 bp
CCC	9	5,406.7	5,031.7	8.8%	14.9%	-608 bp
CC or Lower	1	5,706.1	5,706.1	11.9%	21.9%	-1001 bp

Source: CreditSights, FactSet, ICE Data Indices, LLC

\*Reflects average coupon less current YTW.

Loan Only Capital Structures with >=50% of Loans Maturing Through 2025						
	# of Issuers	Total Outstanding (\$MM)	Total Maturing (\$MM)	Average Spread on Maturities Through '25	Current New Issue Spread	Difference*
Total	118	75,224.7	75,224.7	377 bp	447 bp	-70 bp
BB	22	17,706.7	17,706.7	228 bp	282 bp	-54 bp
B	68	44,829.4	44,829.4	379 bp	466 bp	-87 bp
CCC	28	12,688.6	12,688.6	427 bp	NA	

Source: CreditSights, Credit Suisse Leveraged Loan Index, LevFin Insights, a Fitch Solutions Company

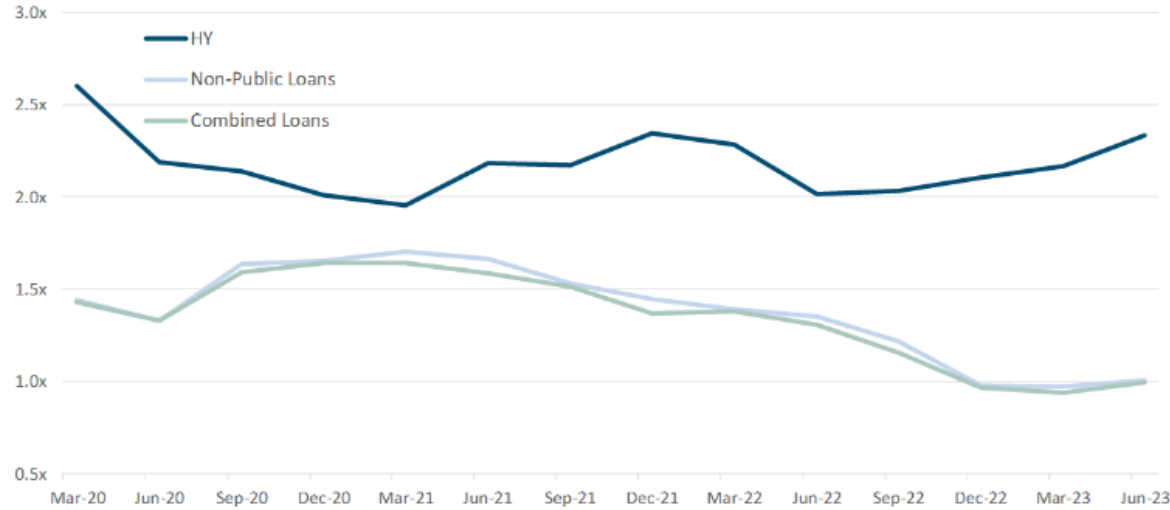
\* Reflects average spread on maturities less current new issue spread.

Loan & Bond Capital Structures with >=50% of Loans Maturing Through 2025			
Loan Rating	# of Issuers	Total Bonds & Loans Outstanding (\$MM)	Total Bonds & Loans Maturing (\$MM)
Total	20	64,817.4	36,403.5
BB	8	22,694.2	10,958.8
B	11	39,631.4	23,087.9
CCC	1	2,491.7	2,356.7

Source: CreditSights, Credit Suisse Leveraged Loan Index, LevFin Insights, a Fitch Solutions Company

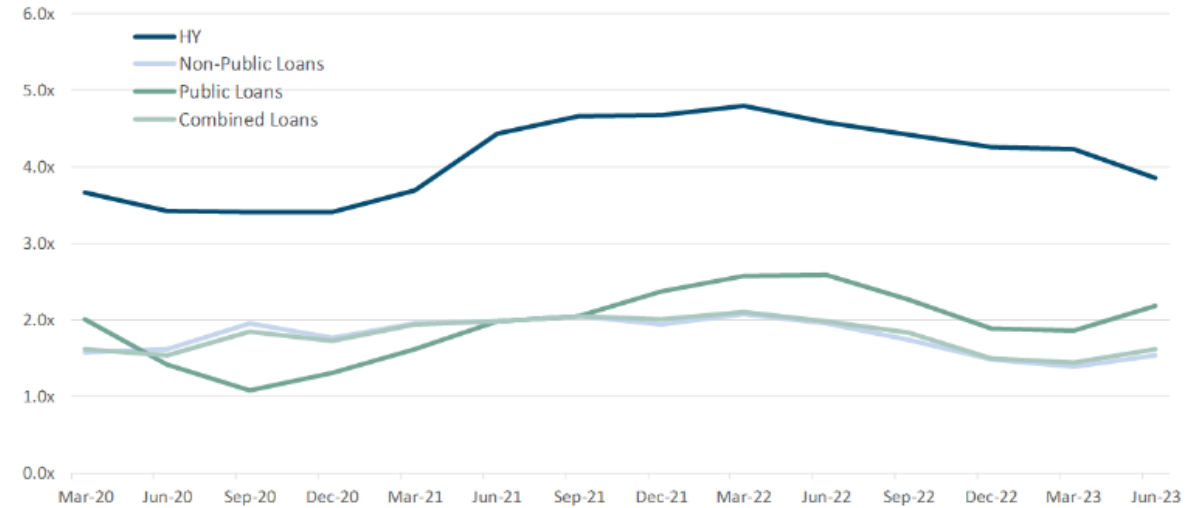
# Elevated Interest Costs a Likely Source of Stress

HY vs Loans: Interest Coverage - <=CCCs



Source: CreditSights, Bixby Research and Analytics, ICE Data Indices, LLC

HY vs Loans: Interest Coverage - Bs



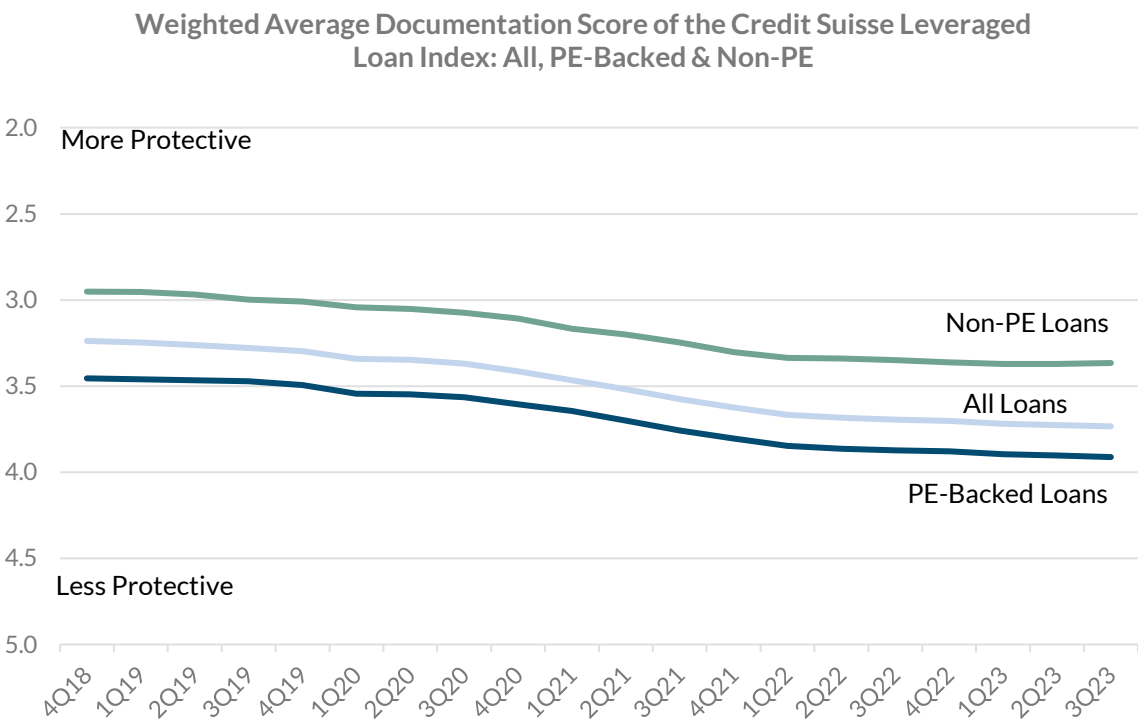
Source: CreditSights, Bixby Research and Analytics, ICE Data Indices, LLC

- Interest Coverage ratios, especially for loan issuers, have been trending down in recent quarters.
- As Loan and Bond issuers refinance the '24 and '25 maturities ratios could get even worse, especially for lower rated companies.

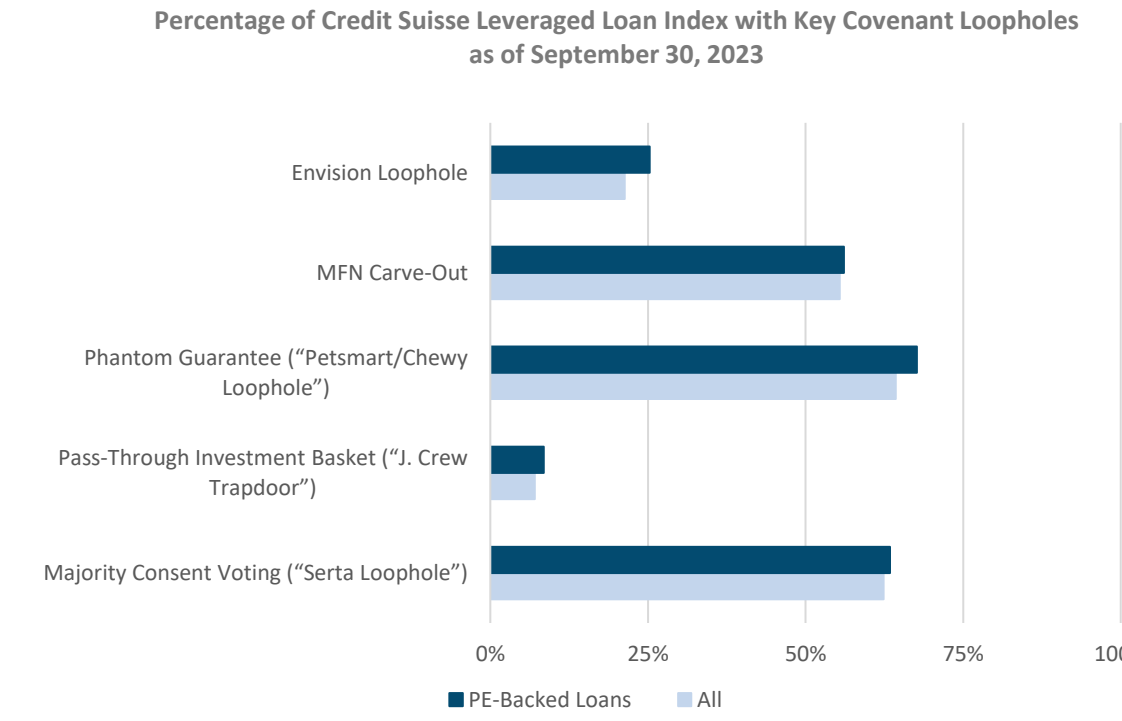
- To the extent we see any kind of economic contraction stress could compound.

# Loose Covenants Increase Optionality

## Loose Covenants, Especially for Sponsor Deals, Leave Open Options for Creative Liability Management Transactions



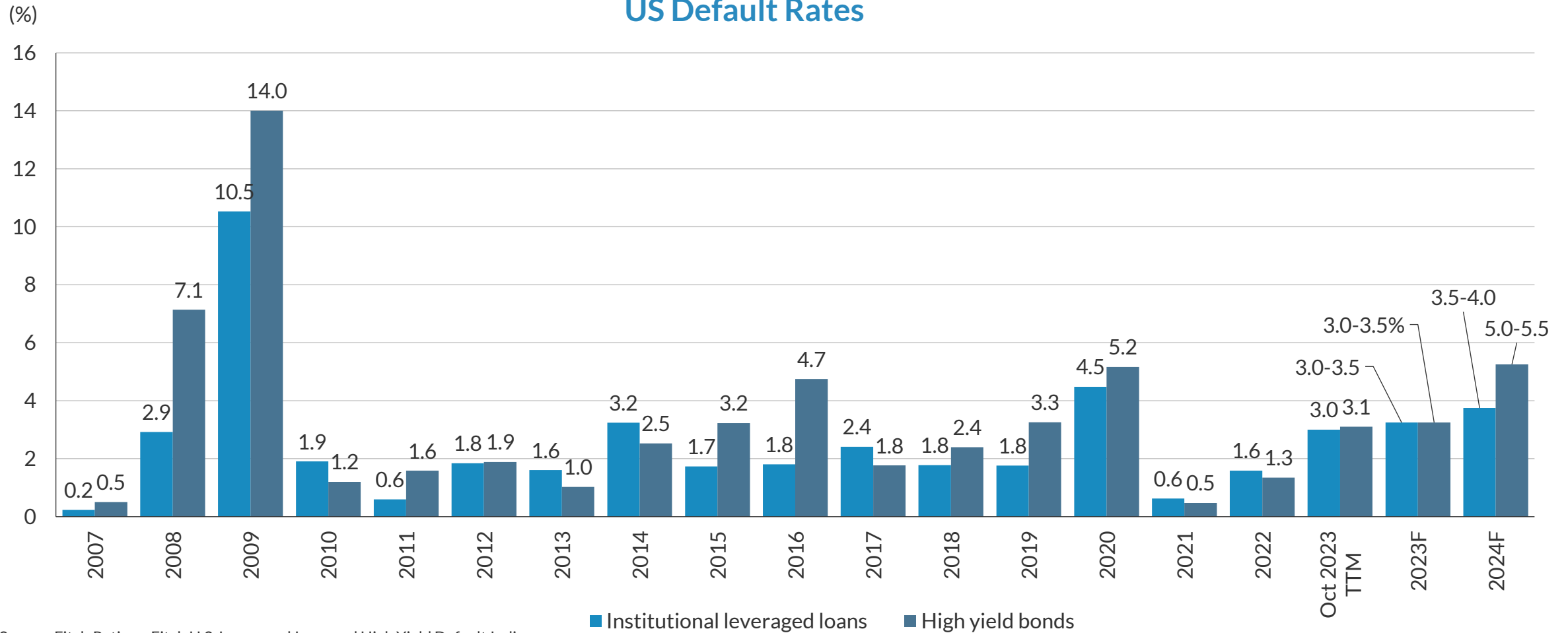
Source: Covenant Review, a Fitch Solutions Company, Credit Suisse Leveraged Loan Index



Sources: Covenant Review, a Fitch Solutions Company; Credit Suisse Leveraged Loan Index

# Defaults Have Been Rising and Should Continue to Do So

## US Default Rates



Source: Fitch Ratings, Fitch U.S. Leveraged Loan and High Yield Default Indices



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