



## BANKING & FINANCE | High Yield Bonds – An Issuer’s Guide, 5th European Edition

It has been almost four years since the publication of the 4th European edition of our “High Yield Bonds – An Issuer’s Guide” in October 2016, four years that were mostly characterized by a generally robust economic environment (at least until the emergence of the COVID-19 pandemic in early 2020), ultra-low interest rates and a significant and rapid convergence between the large cap leveraged loan market and high yield bond market, with a very significant percentage (possibly up to around half) of all large cap, syndicated leveraged senior facilities agreements in Europe in 2019 potentially qualifying as so-called “high yield bonds in disguise”. Because of these and other factors, high yield issuers have been able to successfully introduce countless innovations and gained much increased flexibility under their covenant packages in recent years, while investors have largely had to accept a significant erosion of traditional covenant protections. An update of the guide had therefore been long overdue.

At the beginning of the year, it seemed like the European leveraged finance markets were off to a flying start, with an exceptional issuance spike in January 2020, in particular, and also strong issuance in February 2020. In March 2020, however, both high yield bond and leveraged loan markets in Europe came to a grinding halt as a result of the emerging COVID-19 pandemic. With both markets still in the early stages of a gradual reopening at the time of publication of the latest edition and with investors likely not able to fully assess the impact of the pandemic on individual businesses and industries until after publication of financial results for the second quarter of 2020, it remains to be seen whether the economic fall-out from the COVID-19 pandemic will lead to a meaningful and sustained reversal of at least some of the trends and developments that have characterized the European leveraged finance markets in recent years. So far, this does not appear to be the case.

As with earlier editions of the guide, the 5th European Edition is primarily intended for first-time issuers, to help business owners, chief financial officers, treasurers, in-house lawyers and other key stakeholders evaluate the pros and cons of issuing high yield notes. We therefore did not assume that

users of the guide would have any prior experience with high yield bonds, and we have tried to explain relevant high yield bond concepts in simple, non-technical terms. However, other than in prior editions of the guide, we have also tried to put an increased emphasis on the latest trends and developments that may be of most interest to the more experienced reader. We therefore hope that other market participants (such as relevant team members at underwriting banks / initial purchasers, law firms or other financial and legal advisers) will also find the guide interesting and helpful.

Please click on the link below to view a PDF copy of the 5th European Edition of our High Yield Bonds – An Issuer’s Guide or [request a hard copy here](#).

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