S&P Global data shows ESG-related leveraged finance issuance has increased substantially in Europe

First half of 2021 saw €16.6 billion of leveraged term loan issuance with margin ratchets linked to ESG-related KPIs, equating to 24% of the market

LONDON, July 29, 2021 /PRNewswire/ -- S&P Global Market Intelligence analysis reveal the global leveraged finance markets are embracing the concept of Environmental, Social and Governance (ESG) linked transactions, with the first half of 2021 featuring a marked uptick in sustainability-linked issuance across the leveraged loan and high-yield bond products, particularly in Europe.

The analysis is based on a recently launched ESG Leveraged Finance dataset from Leveraged Commentary & Data (LCD), an offering of S&P Global Market Intelligence. The dataset includes tracker of new-issue loans and high-yield bonds in the U.S. and Europe that have an ESG component.

According to the LCD analysis, the volume of term loans completed with margin ratchets linked to ESG-related key performance indicators, or KPIs, has grown to about a quarter of the market. Meanwhile about 14% of bond issuance by volume was ESG-related in 2021, up from only 2% in 2020.

Marina Lukatsky, head of research for LCD, part of S&P Global Market Intelligence said: "ESG is gaining traction across leveraged finance. We can see the global leveraged finance markets are embracing the concept of ESG-linked transactions. In Europe in particular, loan issuance linked to ESG-related KPIs has skyrocketed and the pricing mechanism has become more mainstream. Similar margin ratchet structures are being included in a growing number of unitranche financings and even Schuldschein products."

In Europe, there was €16.6 billion of leveraged term loan issuance with margin ratchets linked to ESG-related KPIs, equating to 24% of the market. This compares with only €2.4 billion in 2020 (5%) and €1.5 billion in 2019 (2%). European ESG high-yield bond issuance (including sustainability-linked notes, sustainability bonds or green bonds) totaled €10 billion, or 14% of the market by volume. This compares with €2 billion (2%) in 2020 and €1.5 billion 2019 (2%).

In the U.S. market, the first sustainability-linked notes were completed in January by a telecommunications firm Level 3 Financing Inc., which placed a \$900 million offering of notes with a coupon step-up linked to ESG-linked KPIs. ThroughJune 30, some \$2.75 billion of sustainability-linked notes were completed in the market, in addition to\$6.2 billion of green bonds. While this is a marked step-up, in the much larger U.S. high-yield bond market, ESG-related issuance still only accounts for 3% of activity.

LCD is part of S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global.

Editors' Note:

S&P Global Market Intelligence's LCD research unit provides highly differentiated and proprietary research on the U.S. and European leveraged loan, high-yield bond, collateralized loan obligation (CLO) and mid-market/direct lending markets. This research offering complements S&P Global Market Intelligence's broad universe of research sector coverage including energy, enterprise technology, financial institutions groups, metals & mining and TMT (Technology, Media and Telecom).

S&P Global Market Intelligence's opinions, quotes, and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendation to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security.

About S&P Global Market Intelligence

At S&P Global Market Intelligence, we understand the importance of accurate, deep and insightful information. We integrate financial and industry data, research and news into tools that help track performance, generate alpha, identify investment ideas, perform valuations and assess credit risk. Investment professionals, government agencies, corporations and universities around the world use this essential intelligence to make business and financial decisions with conviction.

S&P Global Market Intelligence is a division of S&P Global (NYSE: SPGI), the world's foremost provider of credit ratings, benchmarks and analytics in the global capital and commodity markets, offering ESG solutions, deep data and insights on critical business factors. S&P Global has been providing essential intelligence that unlocks opportunity, fosters growth and accelerates progress for more than 160 years. For more information, visit www.spglobal.com/marketintelligence.

Media Contact

Sabrina Mayeen S&P Global | Market Intelligence +44 (0)20 7176 0495 Sabrina.Mayeen@spglobal.com

SOURCE S&P Global Market Intelligence

https://press.spglobal.com/2021-07-29-S-P-Global-data-shows-ESG-related-leveraged-finance-issuance-has-increased-substantially-in-Europe