

Special Report

Euro High-Yield Market Monitor | 1Q26

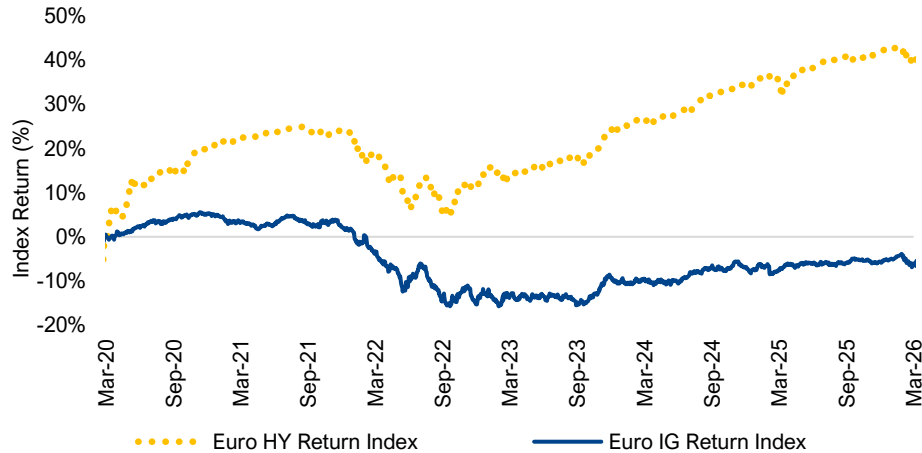


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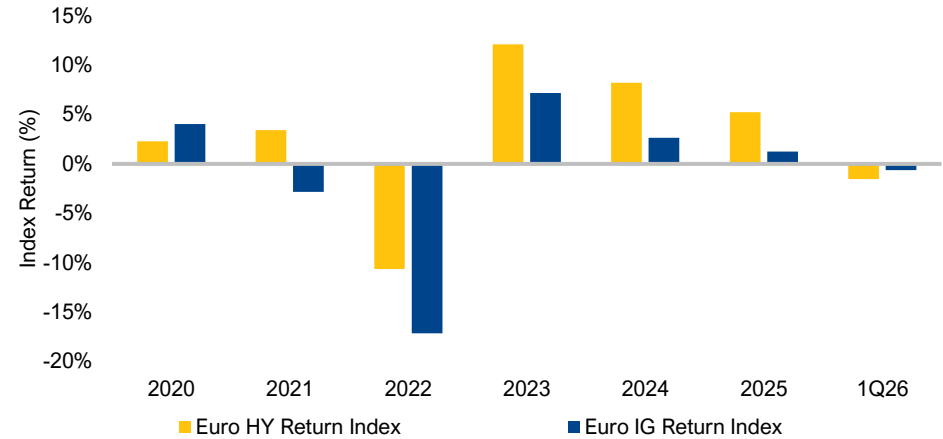
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Euro High-Yield Bond Market Performance – HY vs IG Returns

Euro HY vs IG Market Returns Trend⁽¹⁾



Euro HY vs IG Market Returns – Annual Performance



- Euro HY materially outperformed IG in 2024–2025, driven by easing inflation and supported by expectations of ECB rate cuts, which contributed to spread compression, while HY’s higher carry and shorter duration profile enhanced total return resilience relative to IG bonds
- 1Q26 performance reversed, with the Euro HY index declining 1.5%, as escalating Middle East geopolitical tensions triggered energy-market volatility and renewed inflation concerns, leading to a more cautious ECB outlook and weaker investor appetite for lower-rated credit amid already tight post-rally valuations



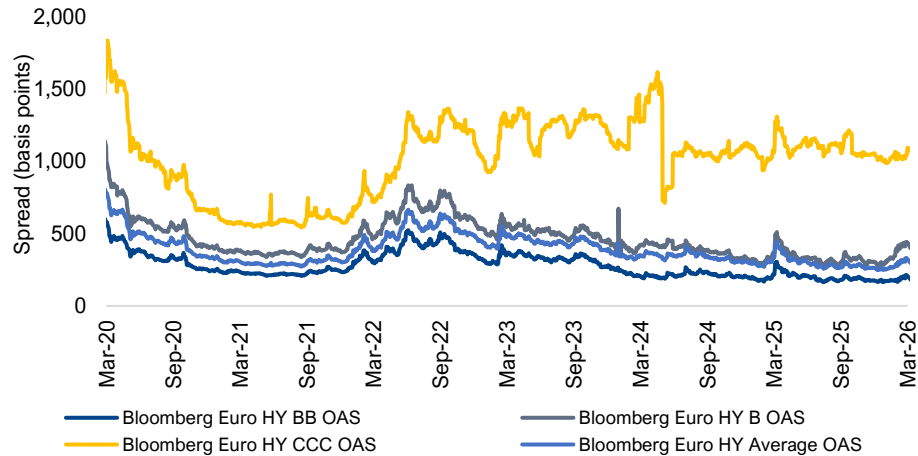
✓ The post-2022 recovery divergence highlights Euro HY’s structural advantage in a higher-rate environment, while Euro IG remains constrained by duration sensitivity

Source: Bloomberg

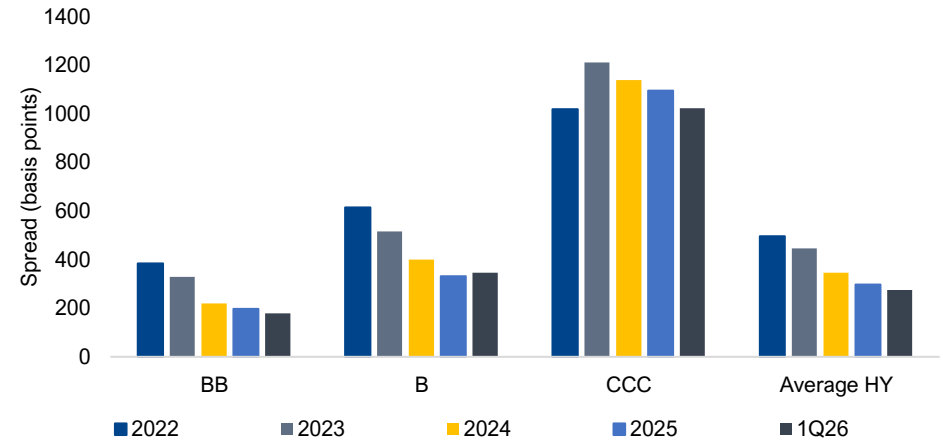
Note: (1) HY and IG returns since 2020 are measured using 31 March 2020 as the base; (2) The scope of this newsletter is restricted to EUR-denominated high-yield bonds issued by European risk entities.

Euro High-Yield Bond Spread Analysis Across Rating Buckets

Euro HY OAS Bond Spread Cycle Trends



Average OAS Bond Spread Trends by Credit Rating



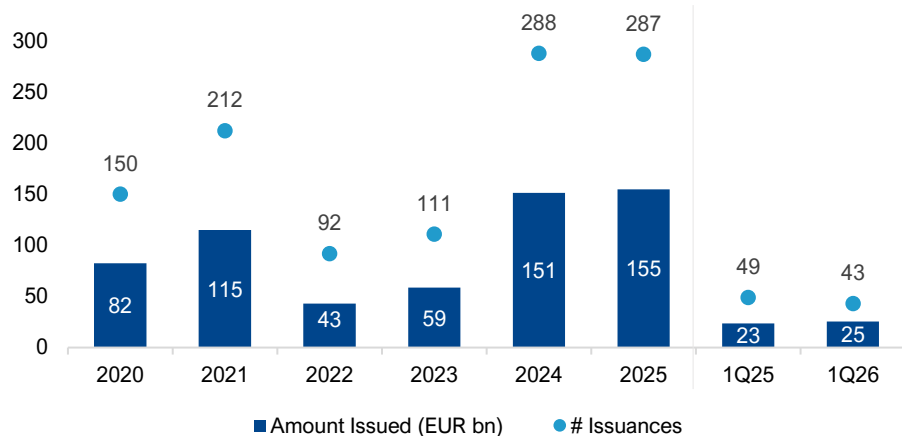
- Risk premiums have materially tightened since the 2022 stress period, supported by strong carry demand and refinancing activity, although further spread compression now appears increasingly limited
- BB/B spreads normalised materially faster than CCC spreads, highlighting continued investor preference for higher-quality refinancing-ready issuers over structurally leveraged credits with weaker free cash flow generation



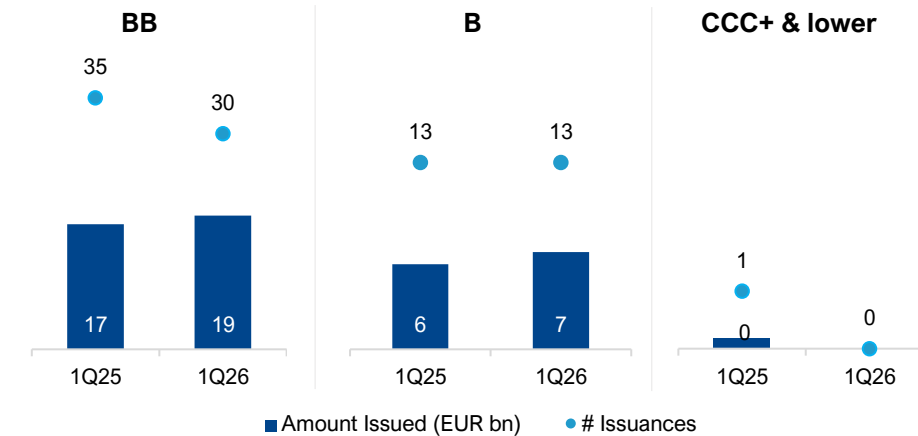
✓ With Euro HY spreads near cyclical tightens, future returns are increasingly dependent on carry and issuer selection rather than further spread compression

Euro High-Yield Bond Issuance Trend

Euro HY Bond Issuances Trend Over Time



Euro HY Bond Issuance by Rating Category



- Issuance remained materially constrained during 2022-2023, as the Russia-Ukraine conflict, ECB's aggressive tightening cycle, and wider credit spreads weakened investor risk appetite and materially increased borrowing costs for speculative-grade issuers
- Recovery in 2024-2025 remained largely refinancing-driven, with 2025 issuance broadly stable at €155bn (+0.5% YoY), as corporates prioritised maturity extension and refinancing management
- In 1Q26, issuance increased to €25bn versus €23bn in 1Q25 despite lower deal volumes, reflecting larger benchmark refinancing transactions, improving liquidity conditions, and stronger access for higher-quality BB and B rated issuers

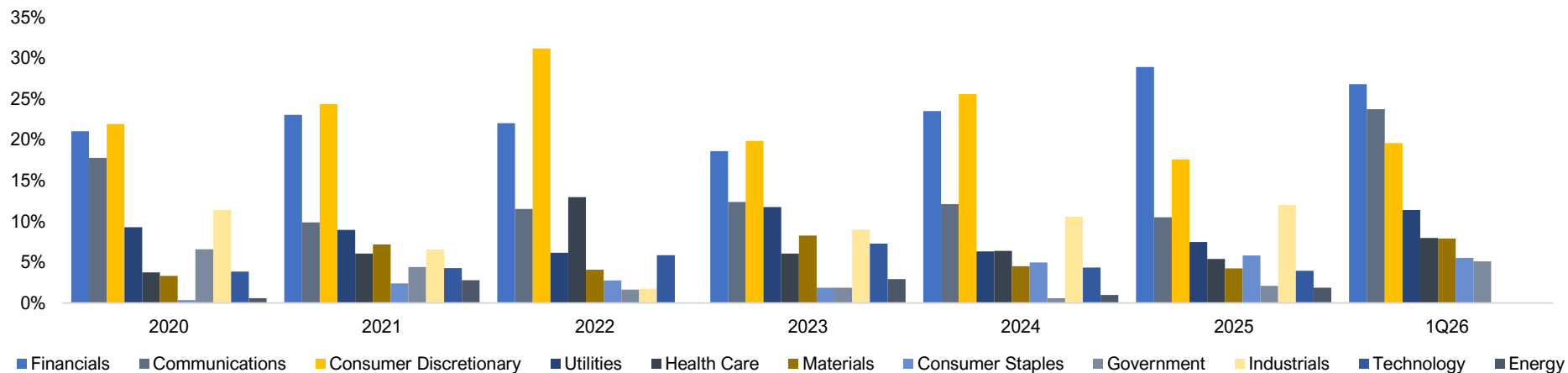


✓ Euro HY primary market resilience in 1Q26 was largely front-loaded before the geopolitical escalation, highlighting primary market activity materially slowing during the conflict

Source: Bloomberg; includes only EUR-denominated bonds with amount issued above EUR 100mm, excludes zero-coupon bonds; (2) BB includes BB+, BB, and BB-; B includes B+, B, and B-; CCC+ & lower includes CCC+, CCC, CCC-, CC+, CC, CC-, C, DDD+, DDD, DD+, D, and NR

Sector-Wise Euro High-Yield Issuance Trend

Sector-wise Trends in European High-Yield Bond Issuance⁽¹⁾



- Financials, Communications, and Consumer Discretionary continued to dominate market activity, reflecting the market’s concentration in larger issuers with established market liquidity
- Consumer Discretionary issuance moderated from its 2021-2022 peak, as softer consumer demand, weaker discretionary spending, and tighter investor selectivity towards cyclical credits constrained new-issue activity, despite improving broader funding conditions
- Financials and Communications gained relative share, as 2024-1Q26 issuance was increasingly refinancing-led, with banks active in subordinated capital and liability-management refinancing, while telecom and media issuers remained active in extending maturities



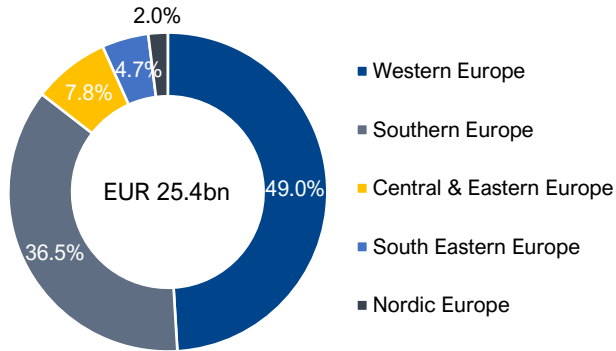
✓ Euro HY issuance remained concentrated in refinancing-driven and liquid sectors, while cyclical and higher-beta credits continued to face selective investor demand

Source: Bloomberg; includes only EUR-denominated bonds with amount issued above EUR 100mm; excludes zero-coupon bonds

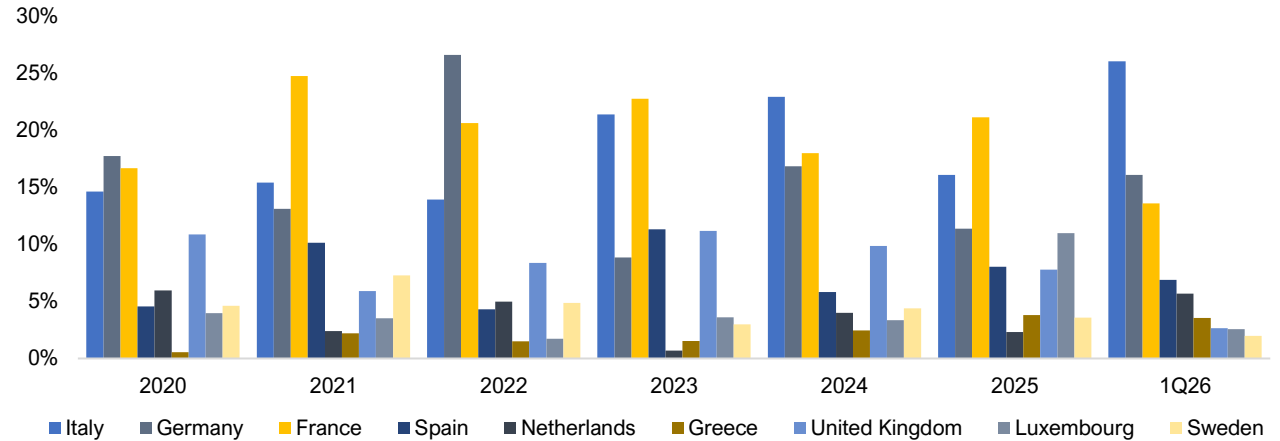
Note: (1) Sector based on Bloomberg’s BICS Level 1 Classification

Region- and Country-Wise Euro High-Yield Issuance Trend

Euro HY 1Q26 Issuance by Region



Euro HY Issuance Trends Across Major Countries for the Past 6 Years



- Issuance remained uneven across Europe in 1Q26, with Western and Southern Europe accounting for 85.5% of total issuance, as investor demand continued to concentrate towards larger and more liquid markets
- France, Germany, and Italy continued to dominate Euro HY issuance activity in 1Q26, with Italy gaining relative share as refinancing activity accelerated more materially, Germany rebounded from softer 2025 levels, and France remained below earlier refinancing-cycle peaks



✓ Regional issuance trends highlight the persistent concentration of Euro HY capital access within core European markets, while peripheral regions continue to face limited market depth

Source: Bloomberg; includes only EUR-denominated bonds with amount issued above EUR 100mm; excludes zero-coupon bonds

Note: (1) **Nordic Europe:** Denmark, Finland, Iceland, Norway, and Sweden; **Central & Eastern Europe:** Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia, Belarus, Georgia, Moldova, Russian Federation, and Ukraine; **Western Europe:** Austria, Belgium, France, Germany, Ireland, Isle of Man, Jersey, C.I., Liechtenstein, Luxembourg, Monaco, Netherlands, Switzerland, and the United Kingdom; **Southern Europe:** Andorra, Cyprus, Gibraltar, Greece, Italy, Malta, Portugal, San Marino, and Spain; **South Eastern Europe:** Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Montenegro, Romania, and Serbia

Spotlight on Largest Issuers Among Top Sectors

Financials

| Issuer | Industry | Country | Amt. Out. (bn) | Maturity | BBG Rating | YTW |
|--|-------------|---------|----------------|-----------|------------|------|
| UniCredit SpA (UCGIM) | Banks | Italy | € 1.00 | Perpetual | BB | 6.0% |
| Aroundtown Finance Sarl (ARNDTN) | Real Estate | Germany | € 0.75 | Perpetual | BB+ | 6.5% |
| Intesa Sanpaolo SpA (ISPIM) | Banks | Italy | € 0.75 | Perpetual | BB | 6.0% |
| Raiffeisen Bank International AG (RBIIV) | Banks | Austria | € 0.65 | Perpetual | BB | 6.2% |
| Heimstaden Bostad AB (HEIBOS) | Real Estate | Sweden | € 0.50 | Perpetual | BB | 5.8% |

Communications

| Issuer | Industry | Country | Amt. Out. (bn) | Maturity | BBG Rating | YTW |
|--------------------------------------|----------------------------|------------|----------------|-----------|------------|------|
| Telefonica Emisiones SA (TELEFO) | Wireline Telecom. Services | Spain | € 0.90 | Perpetual | BB | 4.9% |
| Eutelsat Communications SACA (ETLFP) | Wireless Telecom. Services | France | € 0.85 | Mar-31 | BB- | 4.8% |
| Telefonica Emisiones SA (TELEFO) | Wireline Telecom. Services | Spain | € 0.85 | Perpetual | BB | 5.3% |
| SES Financing Sarl (SESGFP) | Wireless Telecom. Services | Luxembourg | € 0.65 | Perpetual | BB- | 7.6% |
| Eutelsat Communications SACA (ETLFP) | Wireless Telecom. Services | France | € 0.65 | Mar-33 | BB- | 5.4% |

Consumer Discretionary

| Issuer | Industry | Country | Amt. Out. (bn) | Maturity | BBG Rating | YTW |
|--|--------------------------|-------------|----------------|----------|------------|------|
| ZF Europe Finance BV (ZFFNGR) | Auto Parts Manufacturing | Germany | € 1.00 | Feb-32 | BB- | 5.9% |
| Betclic Everest Group SAS (BTCLIC) | Casinos & Gaming | France | € 1.00 | Dec-31 | BB- | 4.9% |
| Air France-KLM (AFFP) | Airlines | France | € 0.65 | Jan-31 | BB+ | 4.5% |
| Allwyn Entertainment Financing UK PLC (SAZKAG) | Casinos & Gaming | Switzerland | € 0.55 | Aug-31 | BB | 4.8% |
| Q-Park Holding I BV (QPARKH) | Consumer Services | Netherlands | € 0.35 | Sep-31 | BB- | 4.3% |

Utilities

| Issuer | Industry | Country | Amt. Out. (bn) | Maturity | BBG Rating | YTW |
|--|------------------|---------|----------------|-----------|------------|------|
| Enel SpA (ENELIM) | Power Generation | Italy | € 1.25 | Perpetual | BB+ | 4.6% |
| Enel SpA (ENELIM) | Power Generation | Italy | € 0.75 | Perpetual | BB+ | 5.1% |
| ContourGlobal Power Holdings SA (CONGLO) | Power Generation | UK | € 0.68 | Jul-31 | BB | 4.9% |

Source: Bloomberg; includes only EUR-denominated fixed or variable coupon bonds with amount issued above EUR 100mm

Note: Industry based on Bloomberg's BICS Level 2 Classification; YTW as of 12 May 2026



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