Introducing LCD’s dual-track default rate: Sponsors drive distressed exchanges

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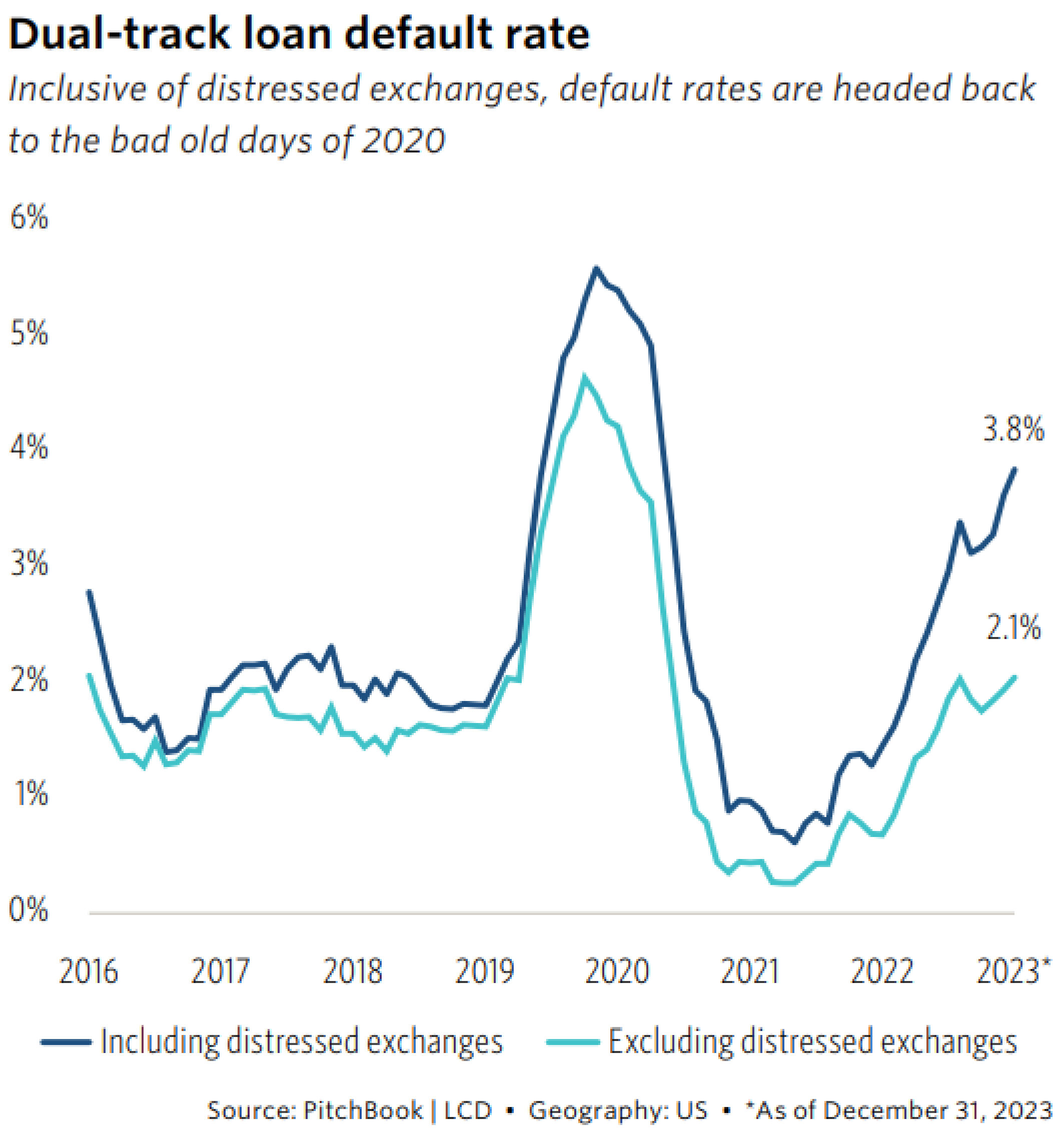

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In tandem with LCD’s legacy criteria capturing general defaults of missed payments and bankruptcy filings, LCD is now tracking a separate rate that includes distressed transactions stemming from out-of-court restructurings, exchanges, and subpar buybacks, or so-called “distressed exchanges.” The current payment default rate (excluding distressed exchanges) by issuer count was 2.05% at the end of December. However, LCD's newly unveiled dual-track default rate (DTDR), which includes payment defaults and distressed exchanges, was 3.8% by issuer count at the end of 2023, up from 1.5% at the end of 2022. Default rates are measured as the TTM calculation of defaults among performing companies in the Morningstar LSTA US Leveraged Loan Index.

(Past performance is no guarantee of future results.)