

## OUR KEY TAKEAWAYS

# Creditflux CLO Symposium 2023

Our dedicated CLO team in Ireland continues to grow in response to demand for legal, tax, listing and professional services for CLO clients. A number of our CLO team headed to London to Creditflux's CLO Symposium 2023. In 2022 Walkers was, for the fifth consecutive year, named as the #1 Global CLO Market Offshore Service Provider in Creditflux's CLO Census, and we were a sponsor of the symposium in 2022 and 2023.

Members of our market leading Finance & Capital Markets and Listing Services groups and Walkers Professional Services have identified their key takeaways from the sessions they attended at Creditflux's CLO Symposium 2023. To learn more or to watch these sessions, [please click here](#).

## SESSION: European CLO market outlook

The challenges faced by the euro CLO primary market in 2022 look to be continuing as we move forward through 2023. There are a significant number of warehouses open in Europe and with many taking time to ramp in line with manager strategy. We expect to see selective defaults across the market with managers employing very actively managed trading strategies in existing warehouses as market conditions remain challenging. In addition, we expect to see further amends and extends during 2023. However, the product remains attractive for investors on the CLO liability side and we continue to see new managers look to come to market. As the year progresses, we expect the CLO market to continue to demonstrate its robust nature and to see continued demand from investors given strong performance traditionally delivered by CLOs.

**Noeleen Ruddy**  
Partner and co-head of  
Finance and Capital  
Markets



## KEYNOTE FIRESIDE CHAT: Lessons learned over the past 25 years in US CLO Investing and the current market opportunity

Despite the volatility and downturns (including economic recessions, the financial crisis, September 11), the CLO market has remained resilient for the past 25 years and will continue to evolve to meet the various challenges thrown at it.

**Sean O'Sullivan**  
Senior Vice President  
Walkers Professional  
Services



## INTERVIEW: CLO restructuring opportunities

Key topics in this session included the history of the restructuring language that appeared in CLO documentation following the great financial crisis and how the restructuring technology in CLO documentation has been refined over the years and continues to evolve to address new challenges. It was interesting to hear about one manager's proposal to update documentation for some of their older vintage EURO CLOs to include some newer restructuring technologies that emerged during and after the Covid-19 pandemic. It will be interesting to see if this becomes a trend in Europe over the coming months.

**Paddy Rath**  
Partner





### SESSION: European collateral deep-dive

It was interesting to hear manager and investor views on the prognosis for European credit over the next 12 months. It was encouraging to hear anecdotes of successful amend and extends occurring in the market and the relatively low rate of forecasted defaults this year. It was also interesting to hear that, although there has been a dearth of primary issuance, there are potentially some green shoots emerging. Some concern was expressed around where real interest rates will go and the impact this will have on the capital structures of borrowers. It was also interesting to hear the panels views on the usefulness of bond buckets in the current environment.

**Paddy Rath**  
Partner



### SESSION: Beyond vanilla

Beyond vanilla provided some intriguing insight into growing investor demand for ABS transactions outside of vanilla CLOs, including Recurring Revenue ABS (an ABS backed by loans made to companies in their late stage of growth who may not be able to generate a positive EBITDA (or choose not to have an EBITDA covenant) and therefore underwriting is done on the annualised recurring revenues of these companies). Typically, the borrower companies are in the tech or software industries. It was noted that, as tech and software industries are high growth industries in the U.S., the product might be less relevant for the European market as it may be more difficult to source the underlying collateral.

**Therese Redmond**  
Head of Listing Services



### SESSION: Dispatches from the CLO trenches

It was thought-provoking to attend the panel session "Dispatches from the CLO Trenches", where the speakers noted that many current regulatory changes impacting the global CLO market have a US focus, which is a shift from recent years where the impact of the European Securitisation Regulation on EU CLOs has largely dominated our regulatory discussions. The publication of the latest European Commission report on the Securitisation Regulation has taken some market participants by surprise in terms of the extra territorial reach of the due diligence and transparency requirements of Article 7. While this recent interpretive guidance includes many positive clarifications, it made clear that EU investors in US CLOs should also be complying with these due diligence requirements. The panel were of the view that as a result some EU investors were currently holding off buying US bonds in the secondary market if these are not compliant.

**Fiona de Lacy**  
Managing Director  
Walkers Professional  
Services



### SESSION: Fireside chat

The key takeaway from this panel on CLO equity was that the arbitrage ("the Arb") is challenging at the moment due to an imbalance caused by some technicals in the loan market including:

- 1) muted loan issuance is leading to everyone buying the same assets which is causing the technicals to go higher; and
- 2) on the liability side, the market is a bit thin, with fewer AAA investors in the market compared to two or three years ago.

It was noted that this imbalance is causing the Arb to go lower and that the two catalysts to bring the market back would likely be: (i) increased loan issuance; and (ii) more investors dipping into the CLO AAA market.

**Clare Mannion**  
Associate

