



Credit Markets Update

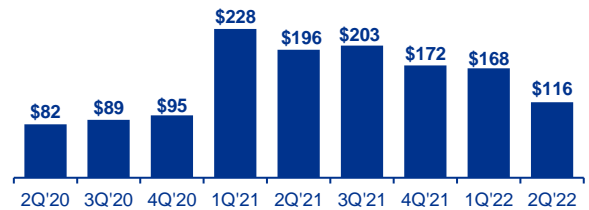
June 30, 2022

Credit Markets Update

Leveraged loan issuance in the second quarter declined significantly as concerns mounted of an oncoming recession precipitated by rising rates, among other issues such as continued high rates of inflation, supply chain issues and geopolitics

- Second quarter new-issue leveraged loan volume decreased to \$116.0 billion, a decline of 41% from last year's quarterly volume of \$196.0 billion, a six-quarter low
- Leveraged loan volume in the second quarter largely supported immediate M&A financing needs, which accounted for \$55.6 billion, or 48.0%, of new-issue leveraged loan volume in the quarter
- Refinancing activity declined to \$53.1 billion in the second quarter. During the first six months of the year refinancing volume reached \$102.0 billion, a decline of 36% from the first six months of 2021

New Issue Leveraged Loan Volume (\$bn)



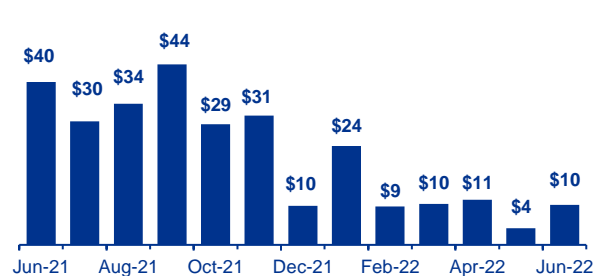
New Issue US M&A Loans (\$bn)



High yield issuance continued its downward trend from peak levels last year due to the rise in interest rates. Second quarter issuance declined to a 17-year low

- Second-quarter issuance of \$24.7 billion, down 43% year-over-year, compares with \$137 billion for the same period in 2021
 - The second quarter printed a meager 36 new-issue tranches which is lowest for a second quarter since 2005
- The average yield for new-issuance was 7.65% in the second quarter, up 143 bps from the first quarter. In comparison, new-issuance yields stood at a record-low of 5.23% and 5.11%, respectively, for the second and third quarters last year

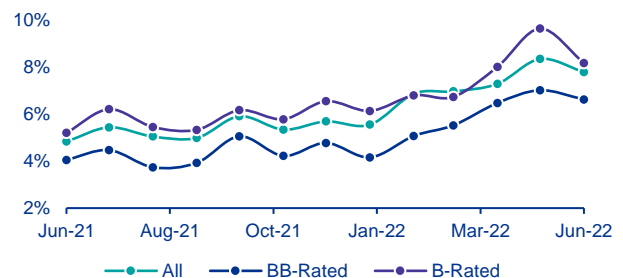
High Yield Volume (\$bn)



The Federal Reserve increased interest rates by 75bps in June and hinted at more hikes in the coming months depending inflation data, among other issues

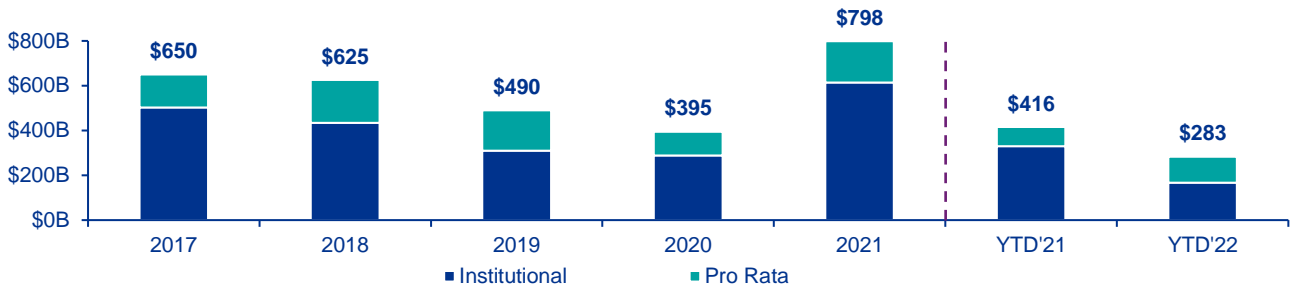
- The Federal Reserves rate actions have caused a corresponding increase in Term SOFR, the new base rate used to price newly issued floating rate loans
 - 3-month Term SOFR is now over 2.0%
- Despite the recent increase in interest rates, liquidity continues to be strong across the middle market as private debt funds have upwards of \$250 billion of dry powder to be put to use
- Lenders are becoming more cautious with a possible economic recession looming, and scrutinizing cyclical sectors such as consumer discretionary goods and non-accretive use of proceeds (e.g. dividend recaps)

High Yield - Average New Issue Yields

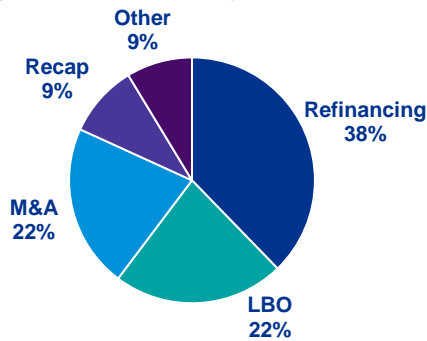


Leveraged Loans

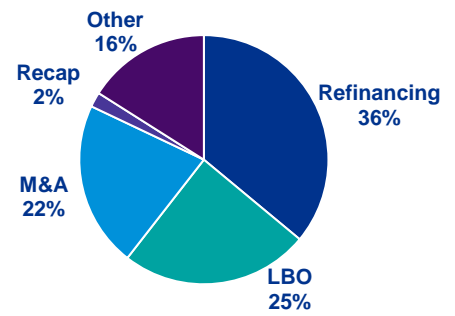
New Issue Leveraged Loan Volume (\$bn)



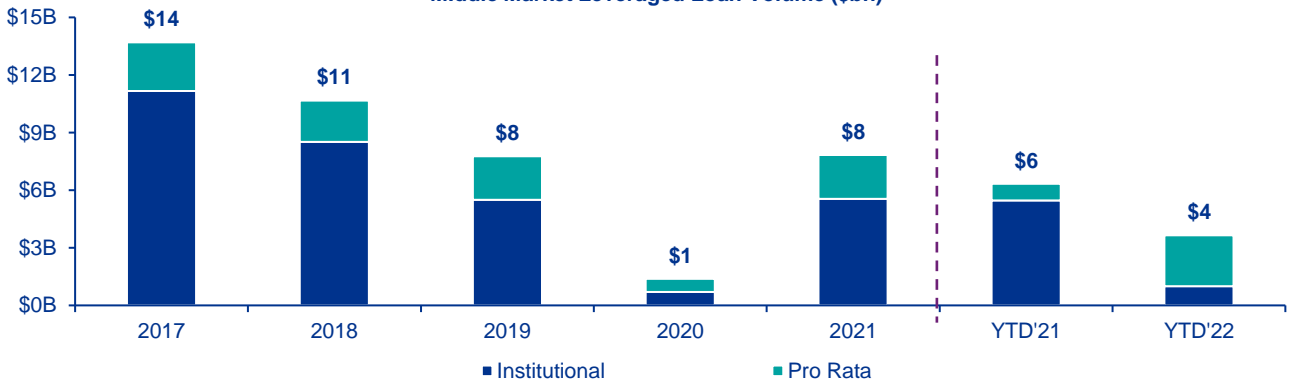
Leveraged Loan Issuance by Purpose - YTD'21



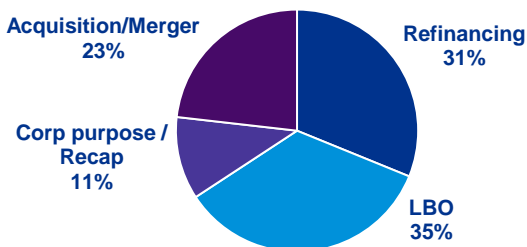
Leveraged Loan Issuance by Purpose - YTD'22



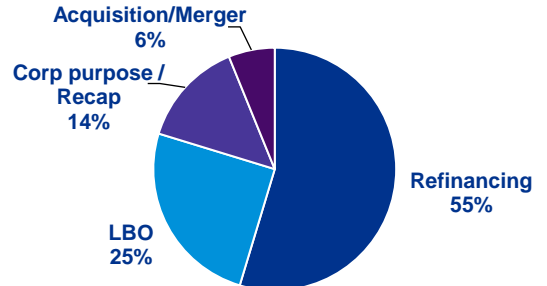
Middle Market Leveraged Loan Volume (\$bn)



Middle Market Leveraged Loan Volume by Purpose - YTD'21



Middle Market Leveraged Loan Volume by Purpose - YTD'22

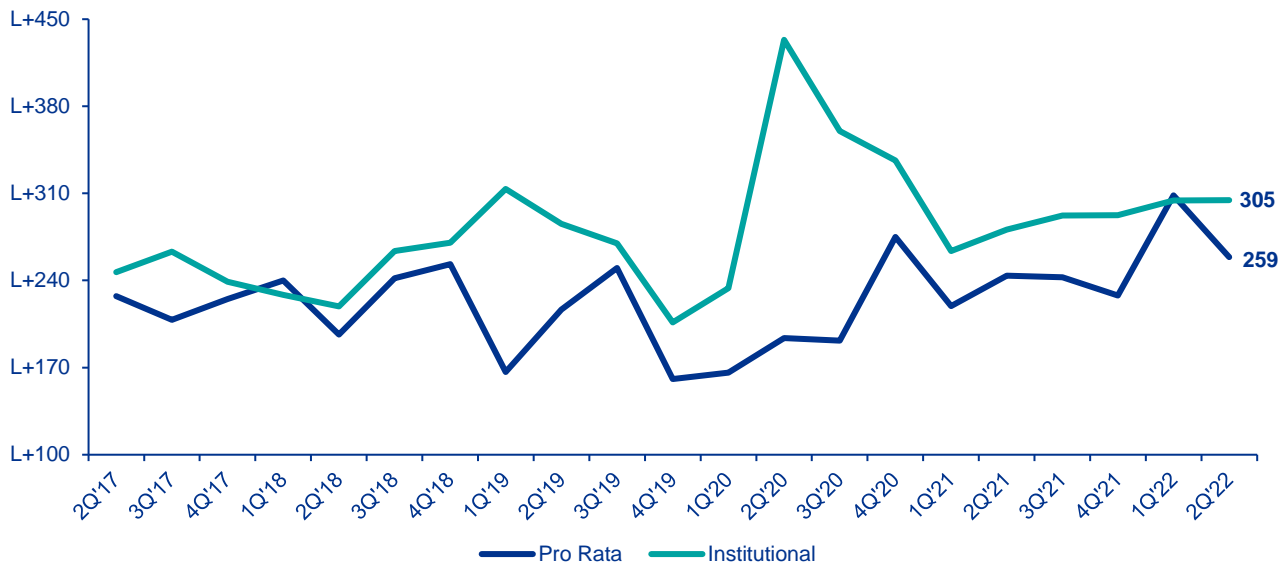


Source: Standard & Poor | Leveraged Commentary & Data.
 Note: Middle market refers to companies with EBITDA of \$50 million or less.



Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly

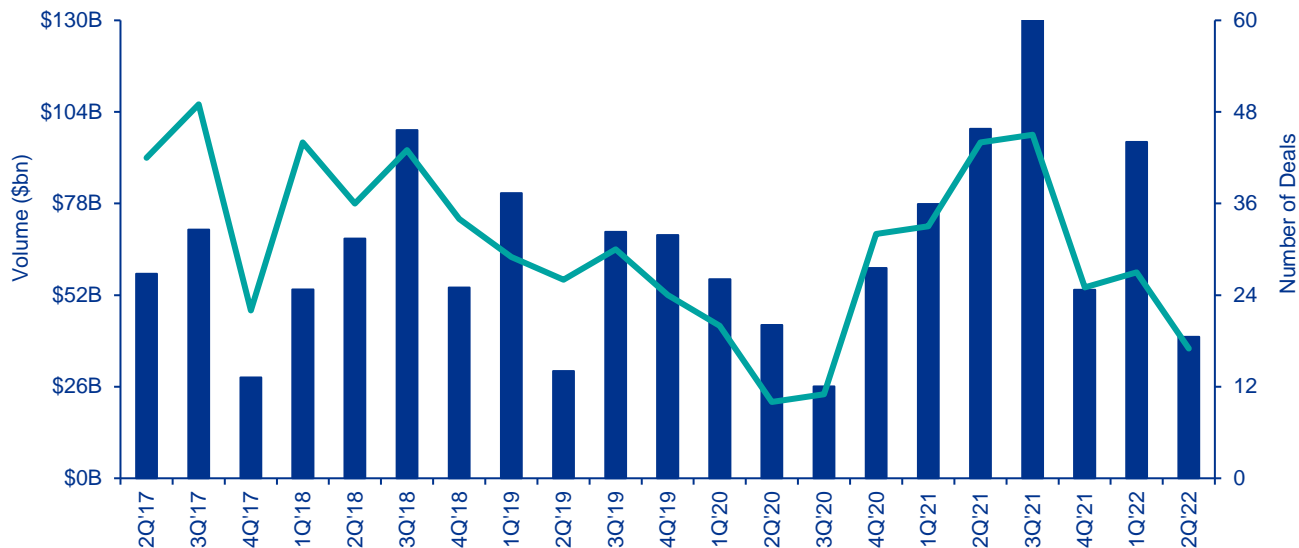


Source: Standard & Poor | Leveraged Commentary & Data.

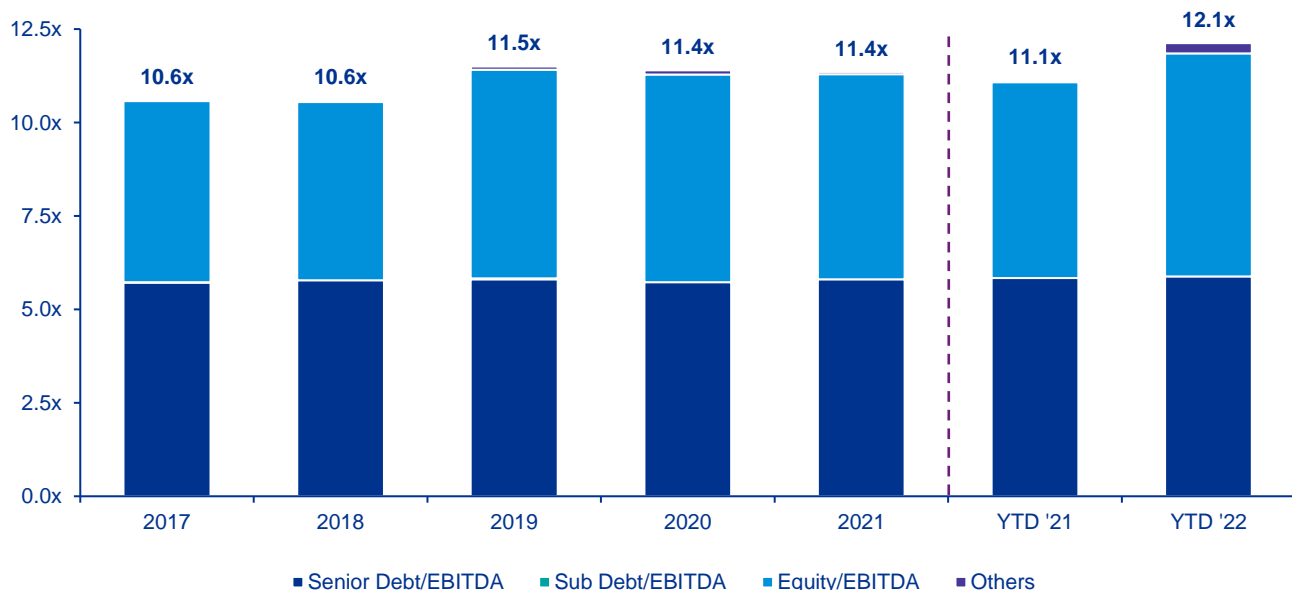


LBO Summary

LBO Transaction Volume - Quarterly (\$bn)



Average Purchase Price Multiple - All LBOs



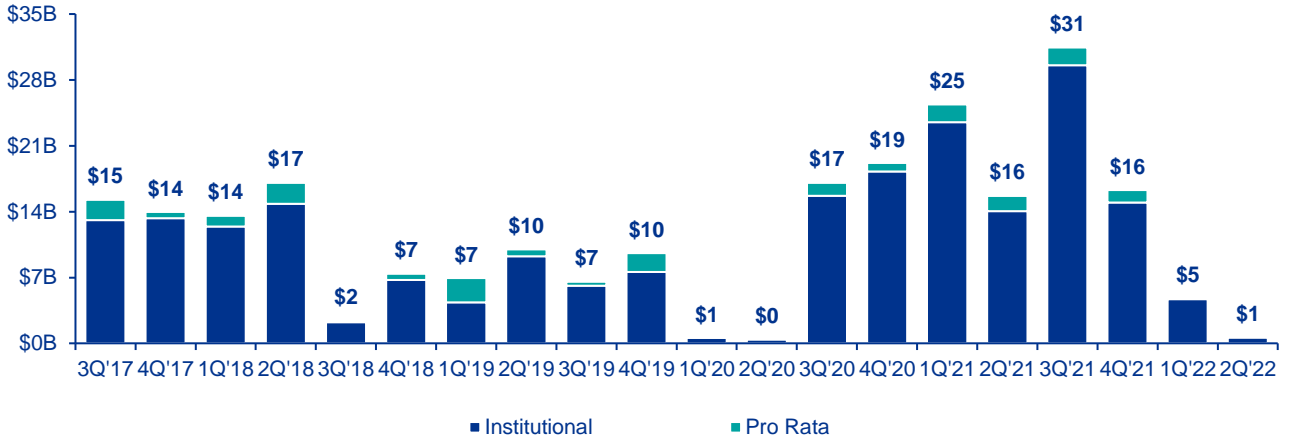
Source: Standard & Poor | Leveraged Commentary & Data.



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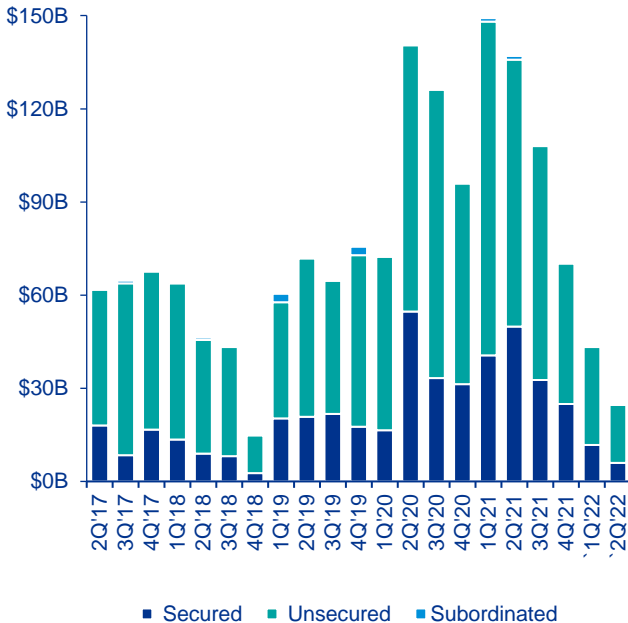
Dividend Recapitalization

Dividend or Stock Repurchase Loan Volume- Quarterly (\$bn)

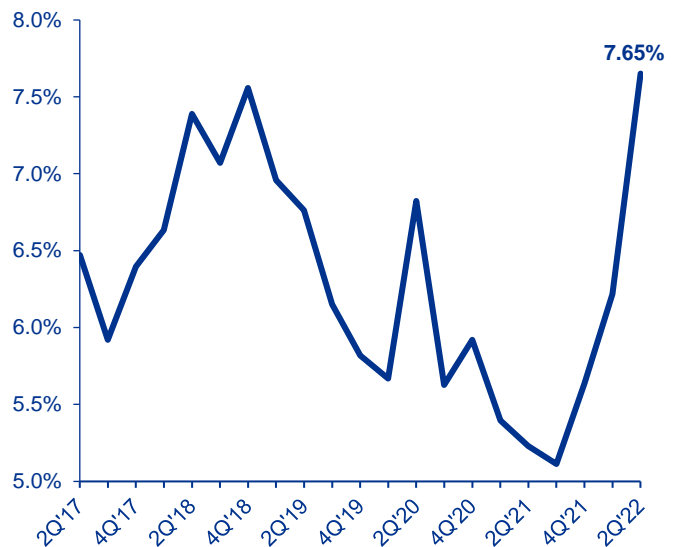


High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New issue High yield Bond yield to Maturity



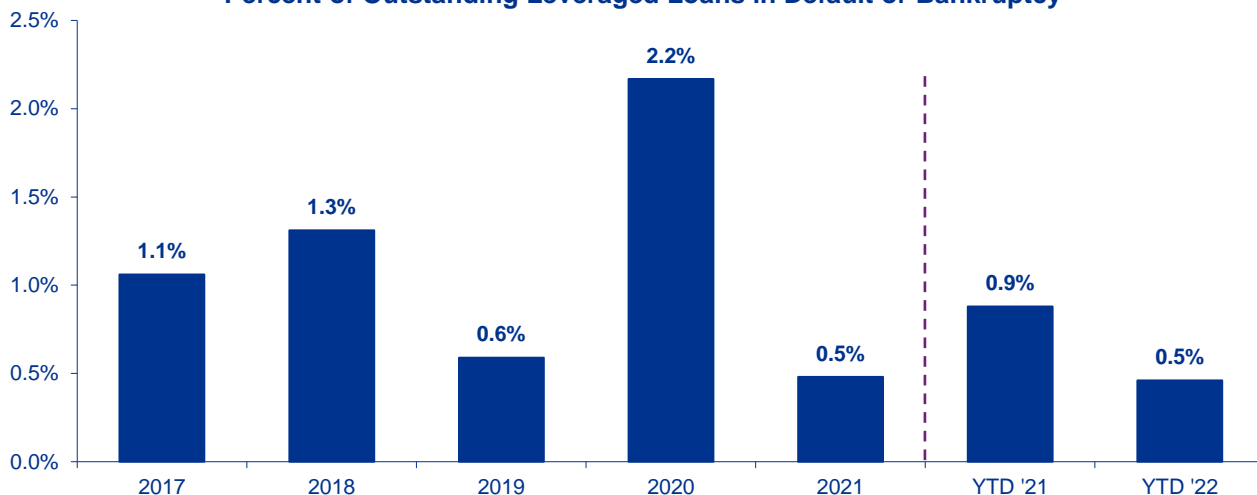
Source: Standard & Poor | Leveraged Commentary & Data.



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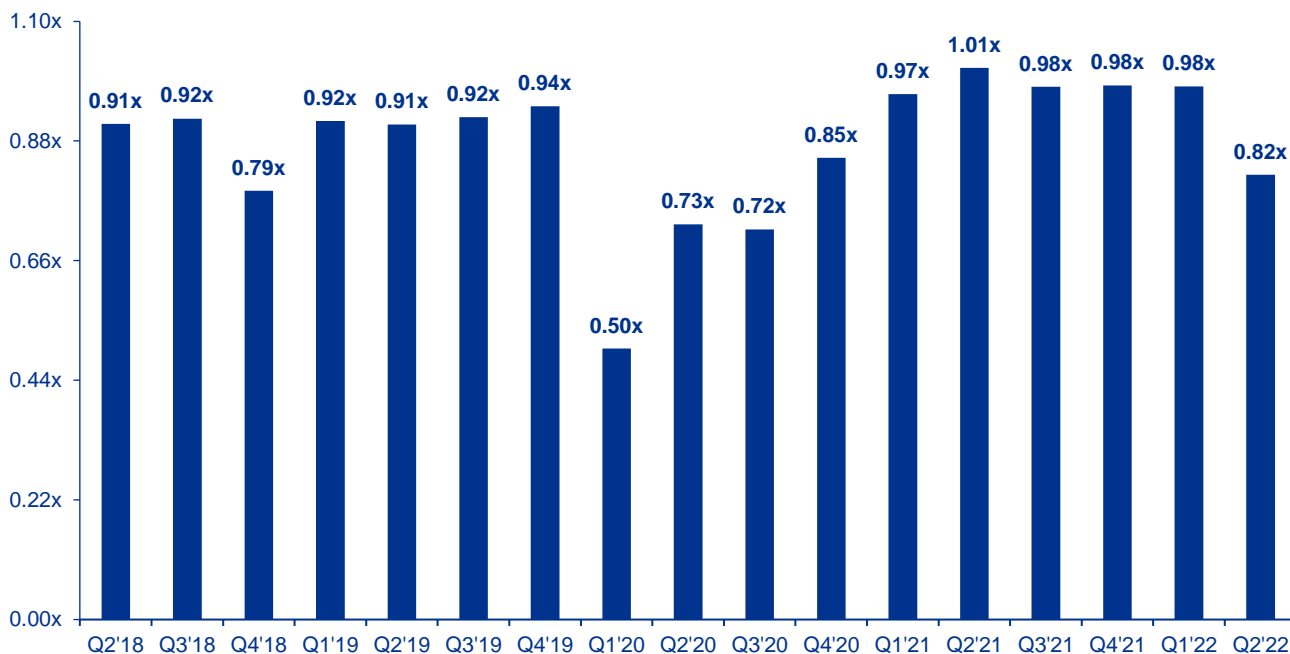
Distress and Defaults

Percent of Outstanding Leveraged Loans in Default or Bankruptcy



Price to Book Value

Public BDCs - Price to Book Value Multiple - Quarterly



Source: Standard & Poor | Leveraged Commentary & Data.



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Capital Advisory Services Practice

We are a leading global financial advisor with real time knowledge of the capital markets. We advise on a wide range of transactions involving both debt and equity, including raising financing for acquisitions, buyouts, dividend recapitalizations, growth capital, special situations, and DIP and exit financing in bankruptcies

We maintain close relationships with debt, mezzanine and equity capital providers, including banks, BDCs, specialty finance companies, insurance companies, family offices, credit and equity funds and other private investors

Primary Service Offerings
















Debt and equity capital raises

- Senior debt financing, refinancing or amendments
- Acquisition and growth capital
- Dividend recapitalizations and minority buyouts
- Mezzanine/junior subordinated financing
- Structured and minority equity
- Project financing
- Capital for special situations, including bankruptcies

Value Added Advisor

- Unbiased and objective advice
- Local market insight with strong relationships across all tranches of capital
- Experienced deal team
- Flexible and innovative approach
- Fully integrated service offering
- KPMG global advisory network

Select Transactions

 <p>Project Rays</p> <p>Debt Advisory</p> <p>Acting as the exclusive financial advisor to a group of dental service organizations in connection with raising debt and / or junior capital to be used for a recapitalization</p> <p><i>In process</i></p>	 <p>Project Move</p> <p>Debt Advisory</p> <p>Acting as the exclusive financial advisor to a fitness / recovery equipment provider in connection with raising senior debt and junior capital to be used for a recapitalization</p> <p><i>In process</i></p>	  <p>Debt Advisory</p> <p>Acted as the exclusive financial advisor to Fortem Holdings in connection with securing debt for the acquisition of C&TDG Management LLC</p> <p>Not Disclosed 2021</p>	  <p>Debt Advisory</p> <p>Acted as the exclusive financial advisor to Nextlink in connection with securing a new credit facility</p> <p>Not Disclosed 2021</p>
  <p>Debt Advisory</p> <p>Acted as financial advisor to AgXplore in connection with raising credit facilities used for a recapitalization</p> <p>Not Disclosed 2020</p>	  <p>A portfolio company of</p>  <p>Debt Advisory</p> <p>Acted as the exclusive financial advisor to Tidewater Fleet Supply in connection with securing a new credit facility</p> <p>Not Disclosed 2019</p>	  <p>Debt Advisory</p> <p>Has completed a capital raise (senior debt and equity co-investment) to fund the acquisition of 1 Priority Environmental Services</p> <p>Not Disclosed 2018</p>	  <p>Debt Advisory</p> <p>Acted as exclusive financial advisor to Razzoo's, Inc. in a debt capital raise</p> <p>Not Disclosed 2017</p>

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