



Credit Markets Update

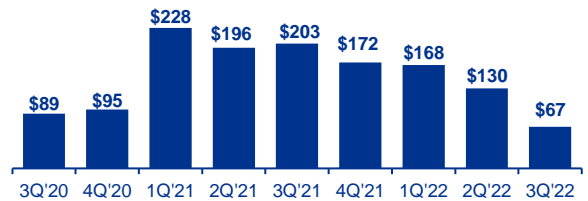
September 30, 2022

Credit Markets Update

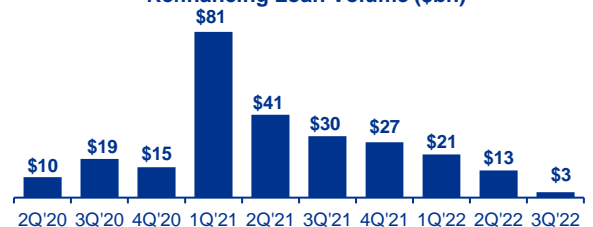
Higher rates and market uncertainty dramatically reduced lending activity in the third quarter as borrowers digest higher borrowing costs. As potential liquidity issues mount, therein exists an opportunity for well capitalized capital providers

- Third quarter new-issue leveraged loan volume declined 67% to \$67.2 billion from \$202.6 billion in the third quarter of 2021. The decline is attributed to macroeconomic headwinds, market uncertainty, continued supply chain constraints and geopolitical turmoil
- Higher interest rates dramatically reduced refinancing activity to \$2.6 billion in the third quarter, the lowest level since the first quarter of 2009. Volume has declined in each subsequent quarter since achieving record volume of \$81 billion in the first quarter of 2021
- Despite a dramatic shift in market sentiment, the level of dry powder in the private credit market remains at an all-time high. Lenders will continue to selectively evaluate new loan opportunities with an underwriting focus on ample liquidity
 - Opportunistic capital solutions – like junior debt and structured equity – could soon be in strong demand as fixed pricing, PIK interest, and convertible features are more accommodative to liquidity constrained borrowers

New Issue Leveraged Loan Volume (\$bn)



Refinancing Loan Volume (\$bn)



High Yield Volume (\$bn)



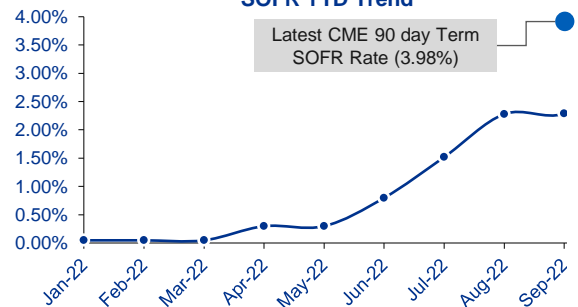
Amid higher interest rates, fixed rate high yield bond issuance continued its downward trend in the third quarter, declining to a 14-year low

- Third-quarter issuance was \$18.9 billion, down 82% year-over-year, compared to \$108 billion for the same period in 2021
- The average yield at issuance was 7.85% in the third quarter, up 163 bps from the first quarter; and the highest levels seen since 2011

The Fed raised interest rates by 75bps in September, citing continued upward inflationary pressure, with future rate hikes on the table, which will be inflationary data-dependent

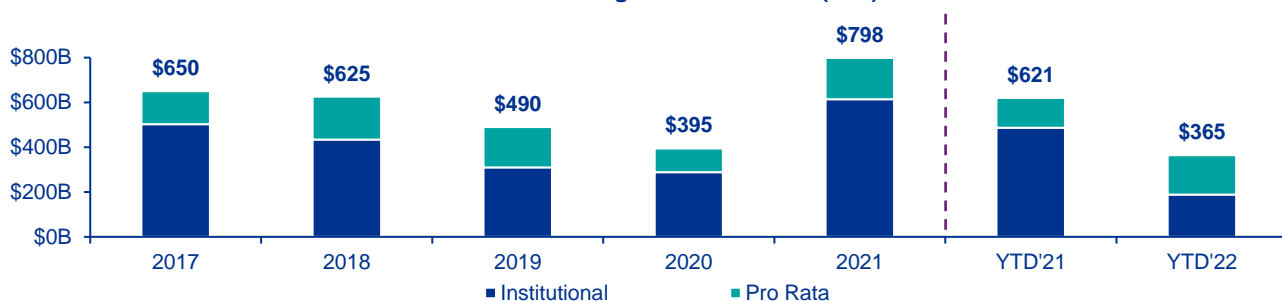
- The 350+ increase in the SOFR base rate has shifted lender focus to portfolio companies as higher interest expense puts pressure on cash flows and liquidity
- SOFR Floors were non-existent in 2021 in a low-rate environment, but have become increasingly common in 2022: Banks ~2.00%; Non-banks ~2.50%

SOFR YTD Trend

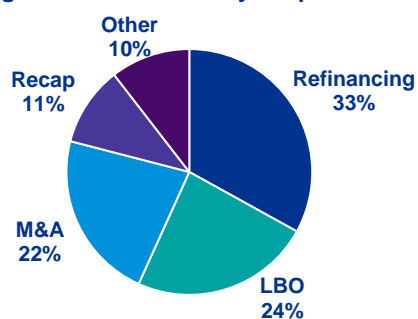


Leveraged Loans

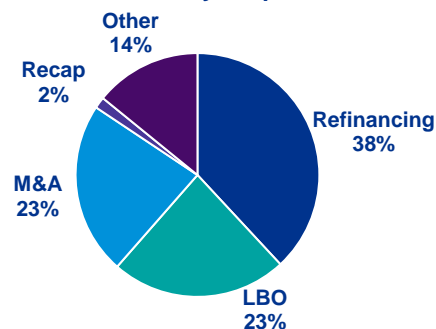
New Issue Leveraged Loan Volume (\$bn)



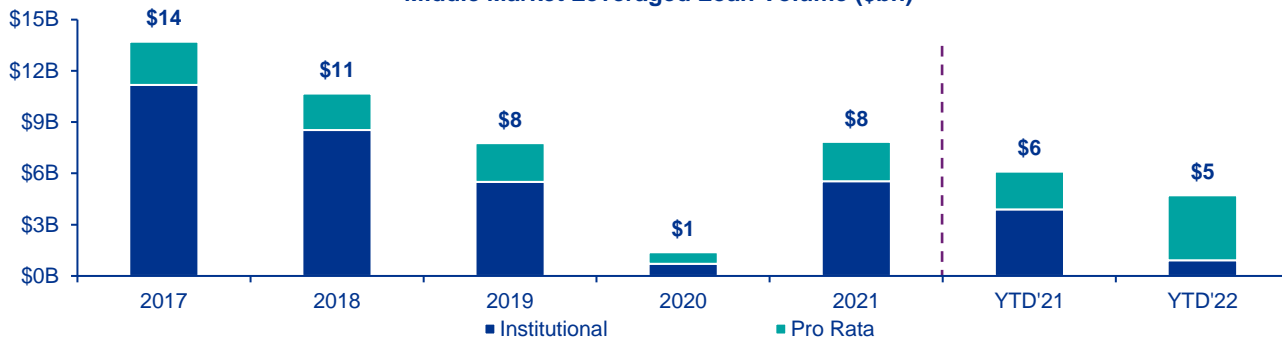
Leveraged Loan Issuance by Purpose - YTD'21



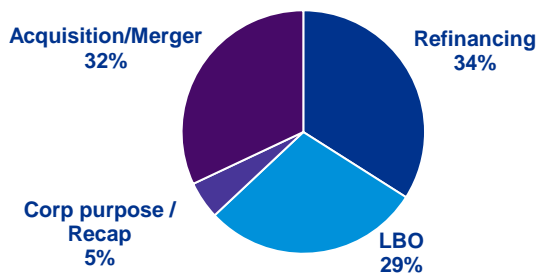
Leveraged Loan Issuance by Purpose - YTD'22



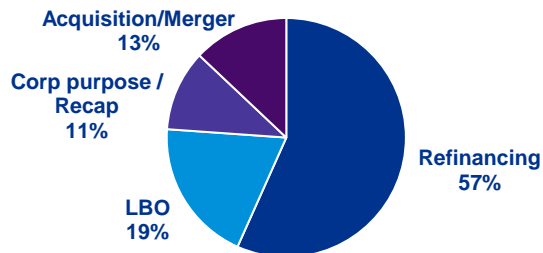
Middle Market Leveraged Loan Volume (\$bn)



Middle Market Leveraged Loan Volume by Purpose - YTD'21



Middle Market Leveraged Loan Volume by Purpose - YTD'22



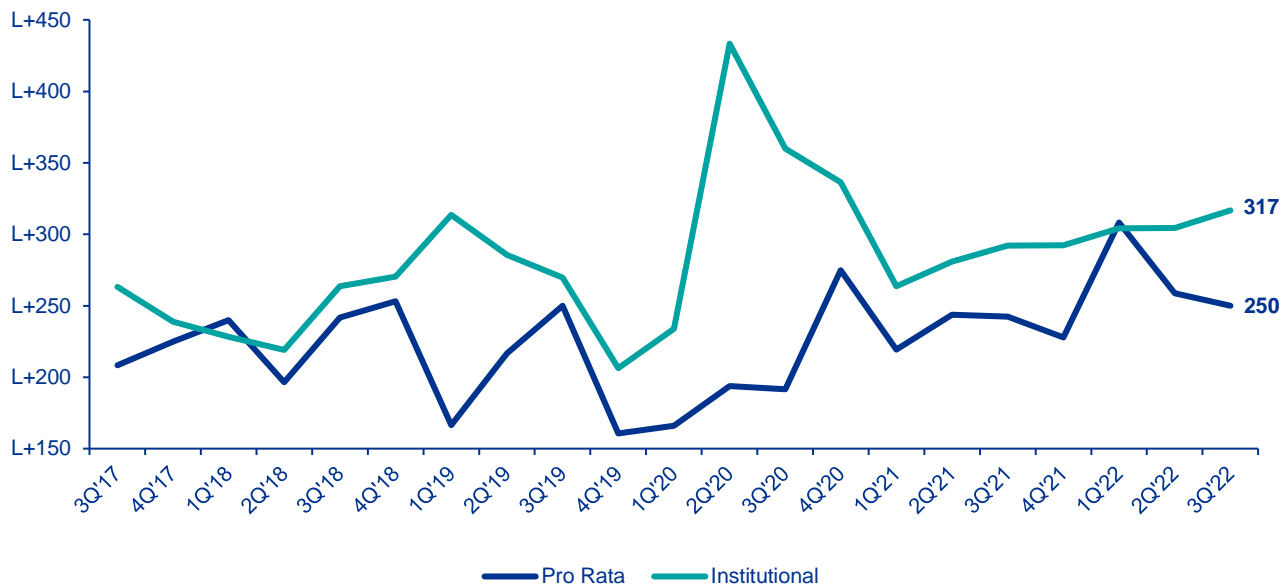
Source: PitchBook | Leveraged Commentary & Data.

Note: Middle market refers to companies with EBITDA of \$50 million or less.

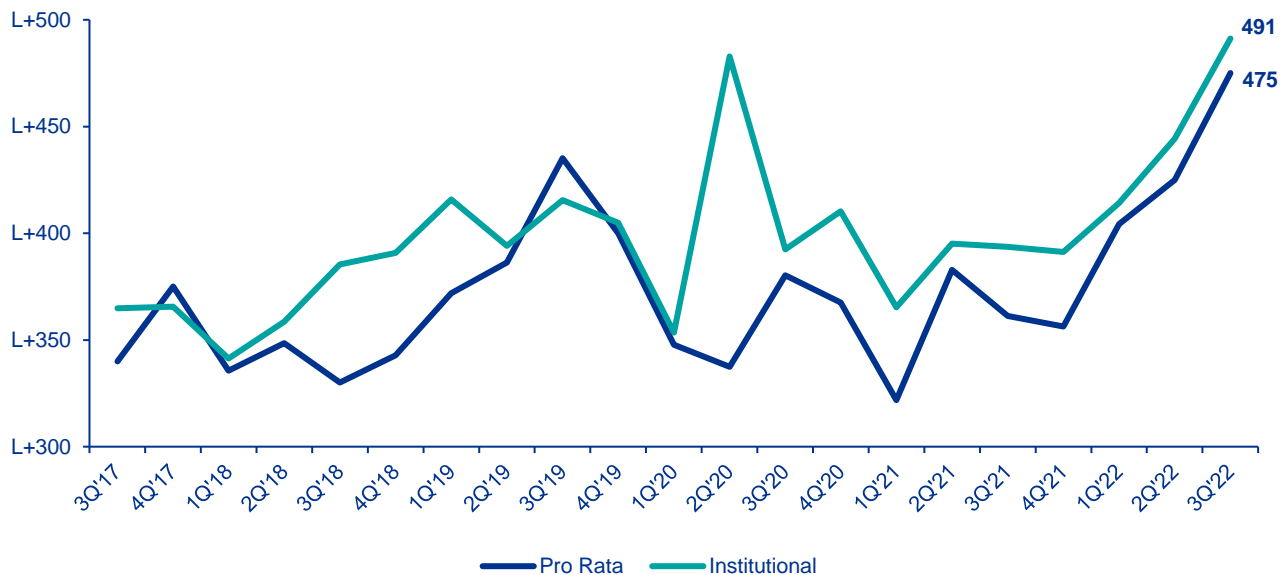


Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly



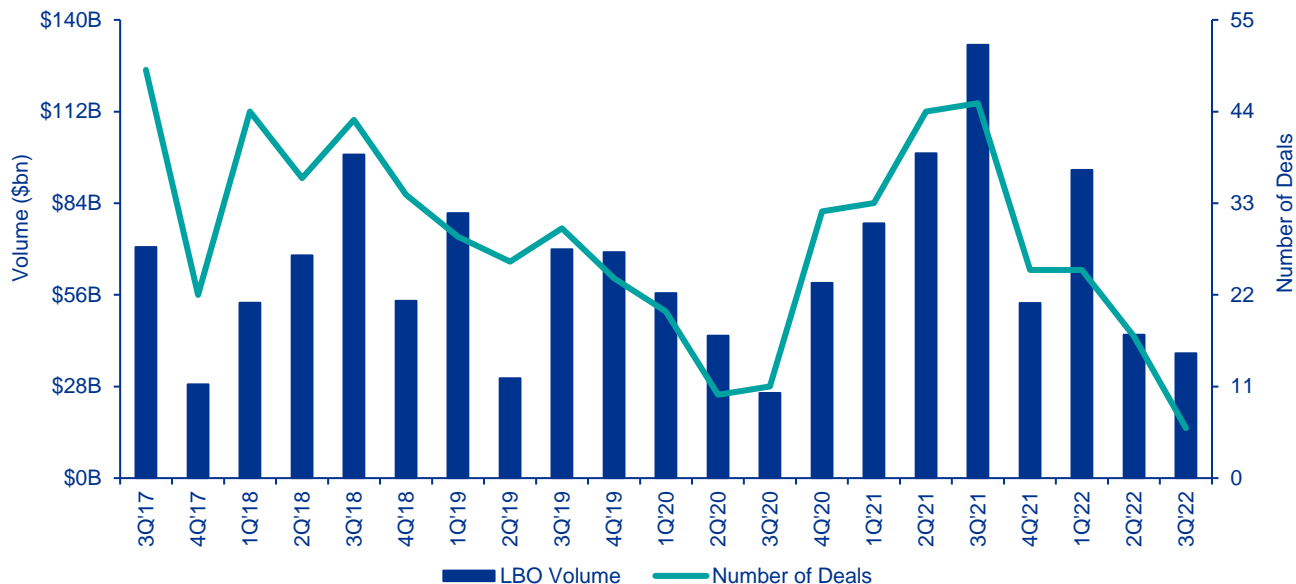
Source: PitchBook | Leveraged Commentary & Data.



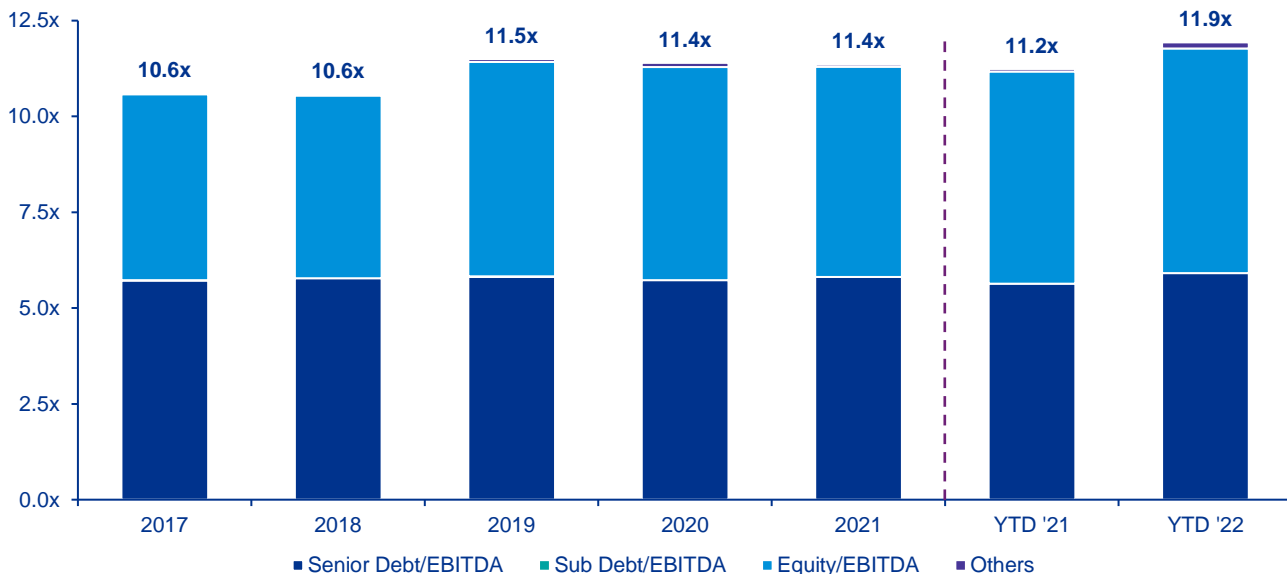
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LBO Summary

LBO Transaction Volume - Quarterly (\$bn)



Average Purchase Price Multiple - All LBOs



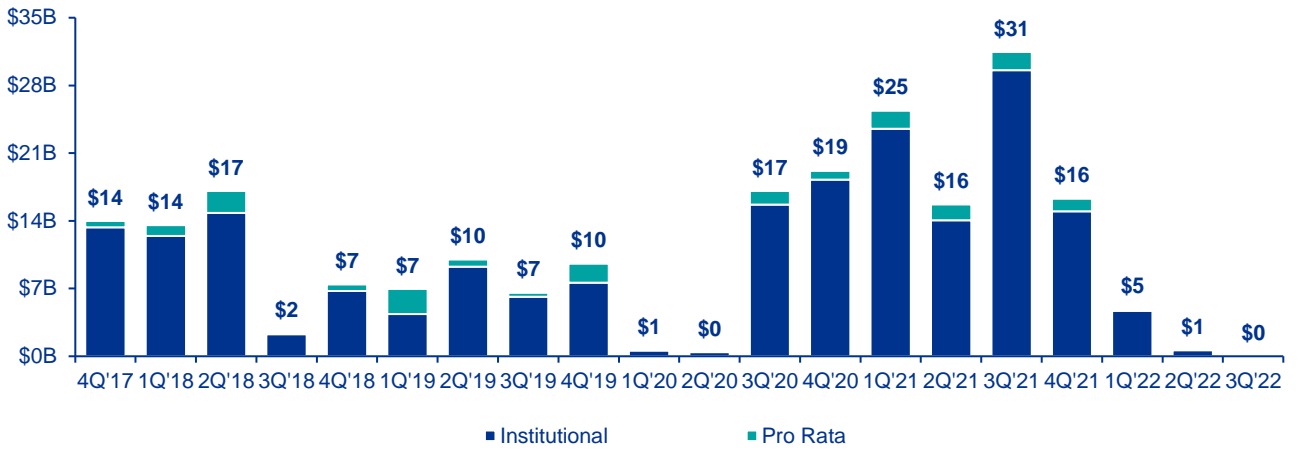
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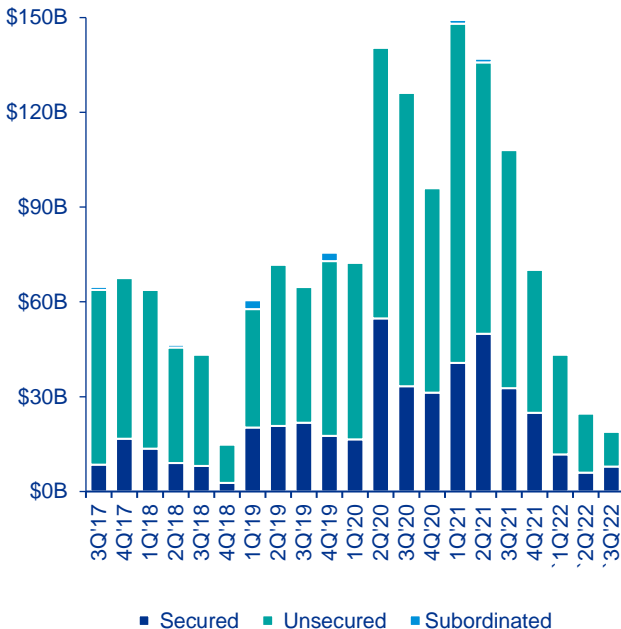
Dividend Recapitalization

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

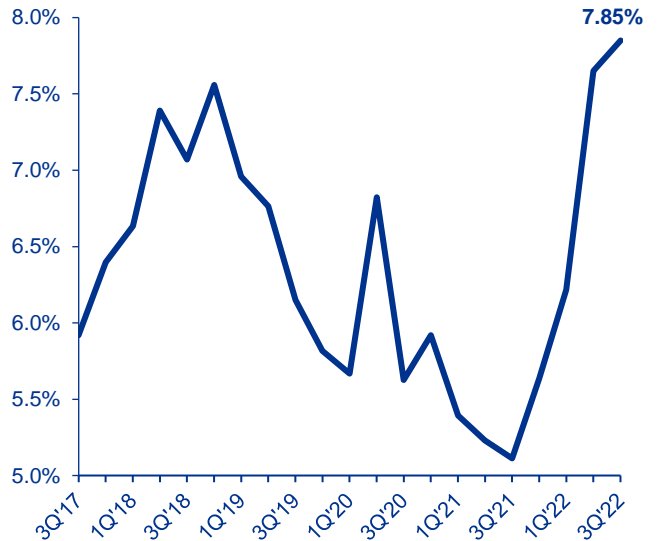


High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New issue High yield Bond yield to Maturity



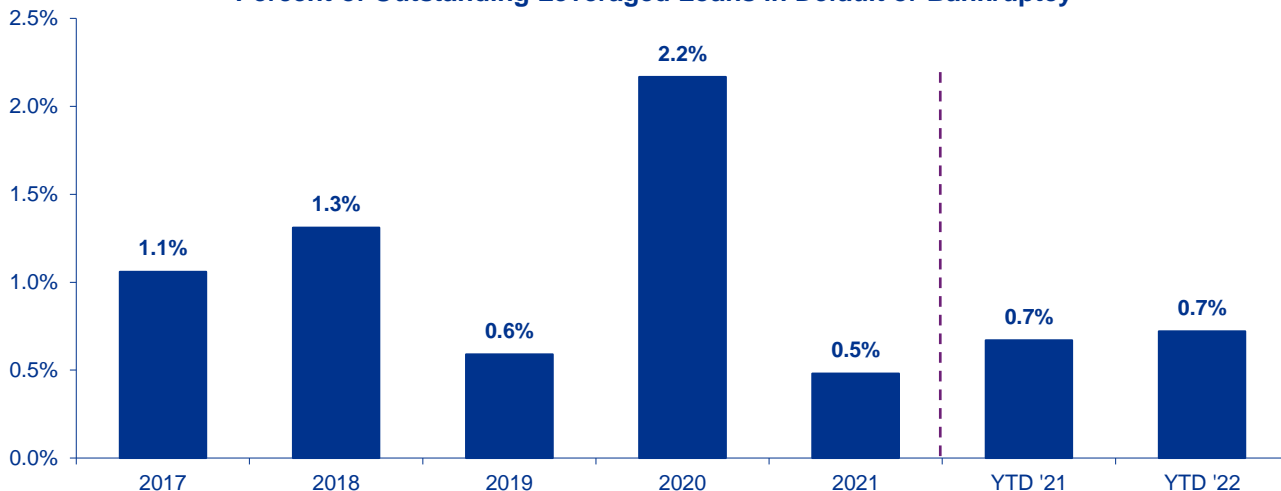
Source: PitchBook | Leveraged Commentary & Data.



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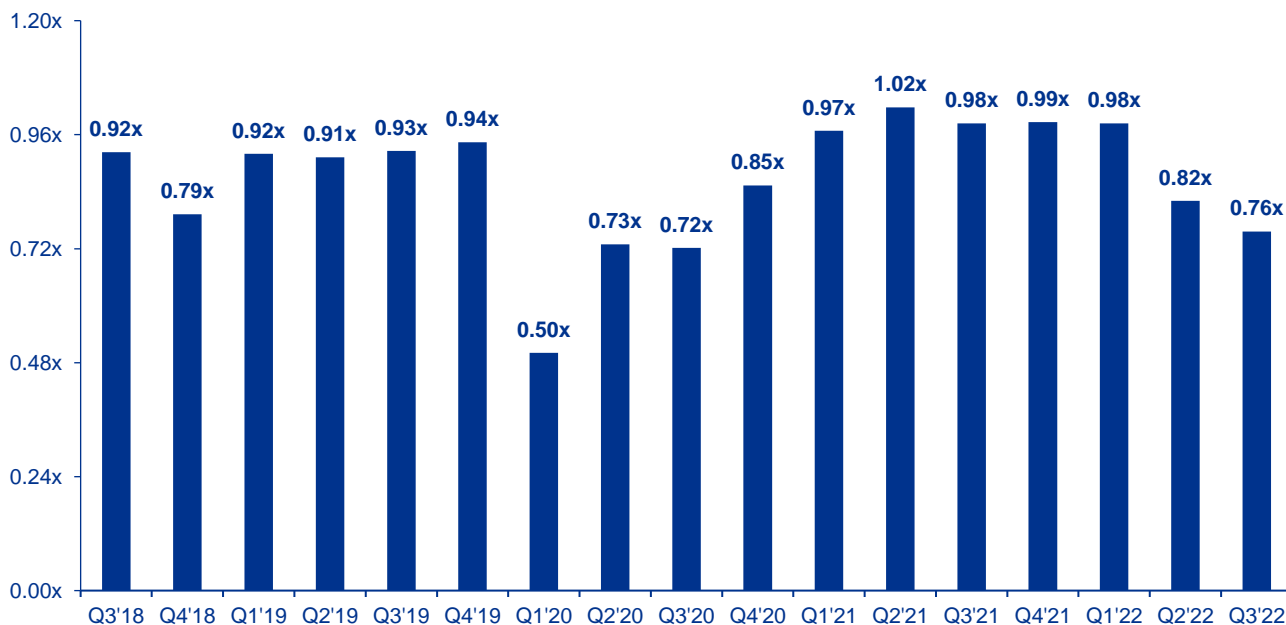
Distress and Defaults

Percent of Outstanding Leveraged Loans in Default or Bankruptcy



Price to Book Value

Public BDCs - Price to Book Value Multiple - Quarterly



Source: PitchBook | Leveraged Commentary & Data.



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KPMG Investment Banking - Debt Capital Markets

Debt Capital Markets 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

Debt Capital Markets 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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