



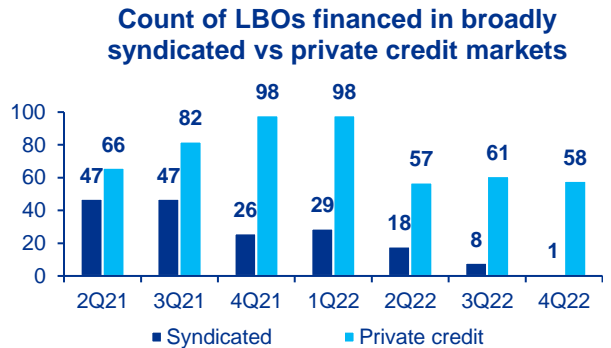
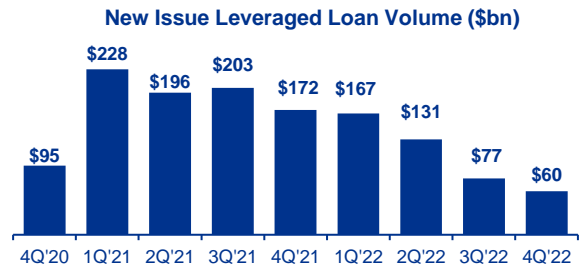
Credit Markets Update

December 31, 2022

Credit Markets Update

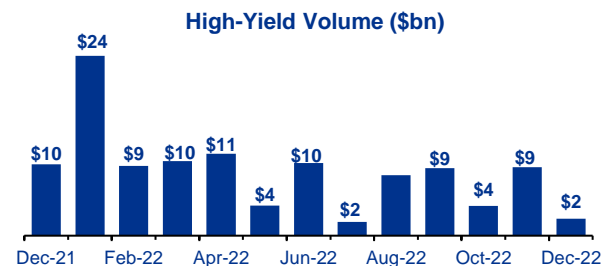
Leveraged loan volume sharply decreased in 2022 amid significantly higher borrowing costs and increased recessionary risks to the economy

- Fourth quarter new-issue leveraged loan volume reached \$59.7 billion, down sharply from \$171.9 billion in the fourth quarter of 2021. Full year 2022 new-issue volume reached \$436.0 billion, a dramatic decline from \$798.0 billion in 2021
 - Liquidity in the bank market receded in 2022. Higher rate-induced market-to-market losses and deposit base uncertainty placed pressure on bank capital causing a sharp decline in syndicated loan volume
 - The mood is brighter in the private credit market where direct lenders have continued to gain share amid record amounts of dry power allocated to the asset class
- Refinancing volume did make a comeback in the fourth quarter. Higher-rated issuers chipped away at near term maturities, pushing volume to \$21.5 billion, the highest quarterly total in 2022.



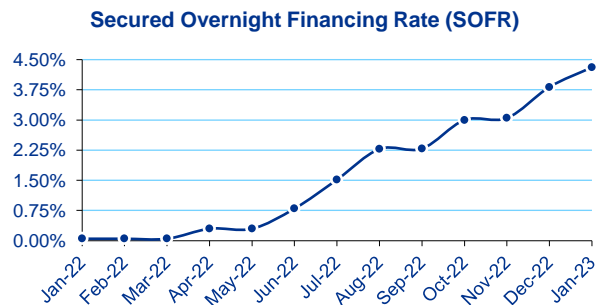
Higher interest rates continue to put downward pressure on high-yield bond issuance with the last six months of 2022 period recording the lowest post-global financial crisis levels

- Fourth-quarter issuance of \$15.4 billion, down 78% year-over-year, compares with \$70.2 billion for the same period in 2021
- The average yield at issuance was 10.4% in the fourth quarter, the first double-digit average for any quarter since 2009



The Federal reserve raised interest rates by 50 bps in December citing high inflation, bringing the target federal-funds rate to between 4.25%-4.5%. 2022 saw a total of seven interest rate increase from the Federal reserve

- The increase in the federal funds rate was mirrored by SOFR which has increased from 0.50% in 2021 to near 4.50% in 2022



Source: New York Fed; 90-day Term SOFR rate

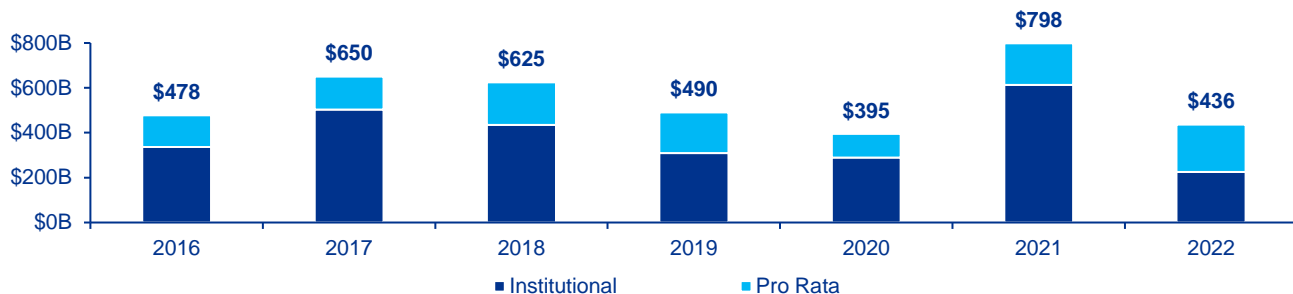
Source: Standard & Poor - Leveraged Commentary & Data, KPMG Market Research.



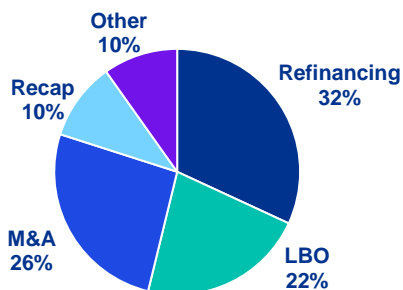
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Leveraged Loans

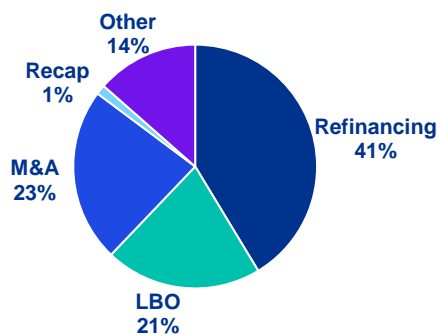
New-Issue Leveraged Loan Volume (\$bn)



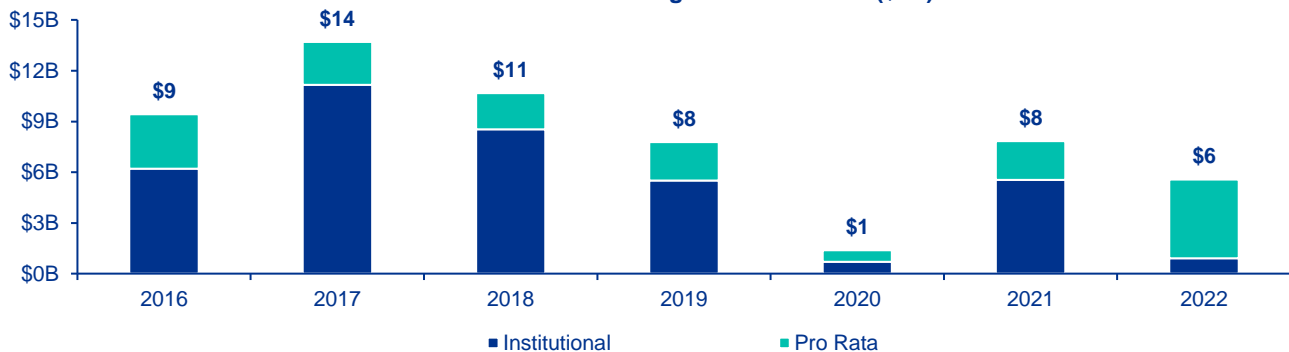
Leveraged Loan Issuance by Purpose - 2021



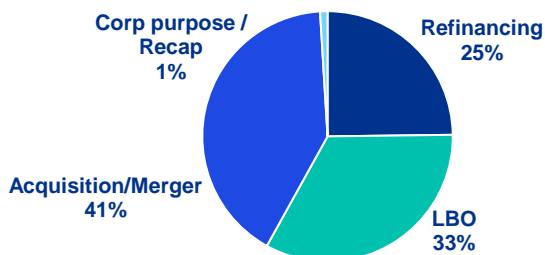
Leveraged Loan Issuance by Purpose - 2022



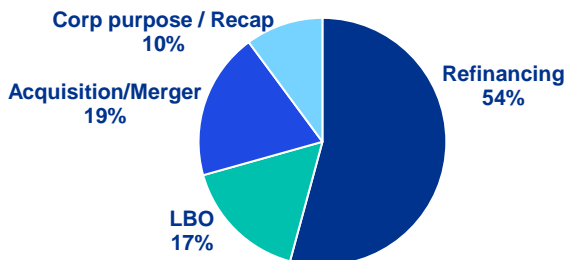
Middle Market Leveraged Loan Volume (\$bn)



Middle Market Leveraged Loan Volume by Purpose - 2021



Middle Market Leveraged Loan Volume by Purpose - 2022



Source: PitchBook | Leveraged Commentary & Data.

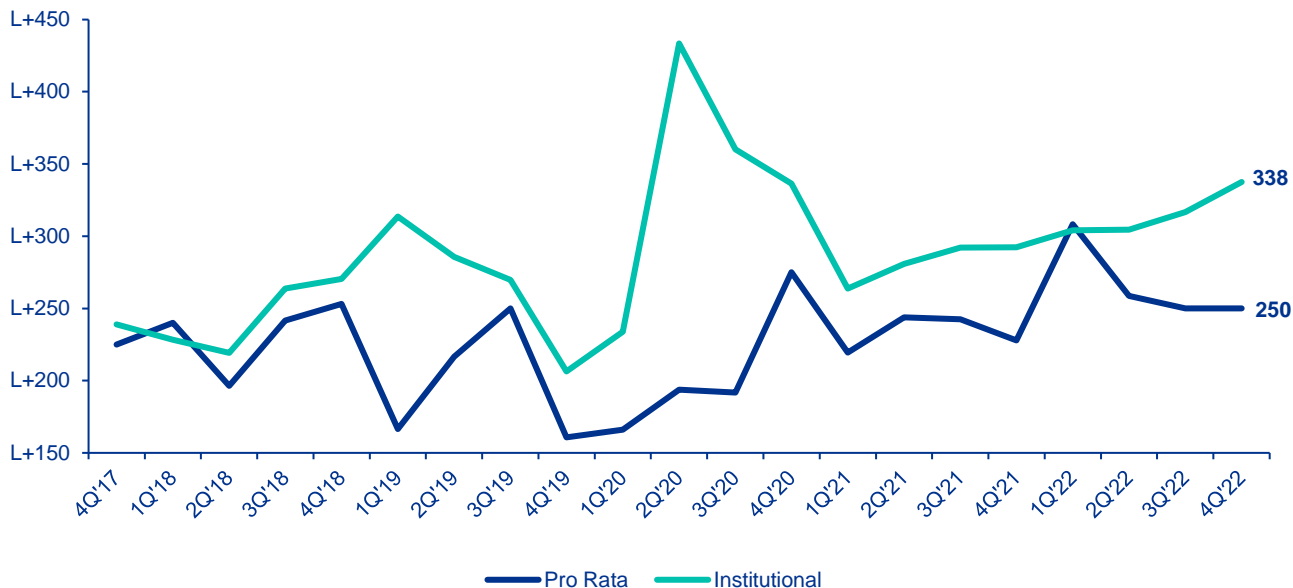
Note: Middle market refers to companies with EBITDA of \$50 million or less.



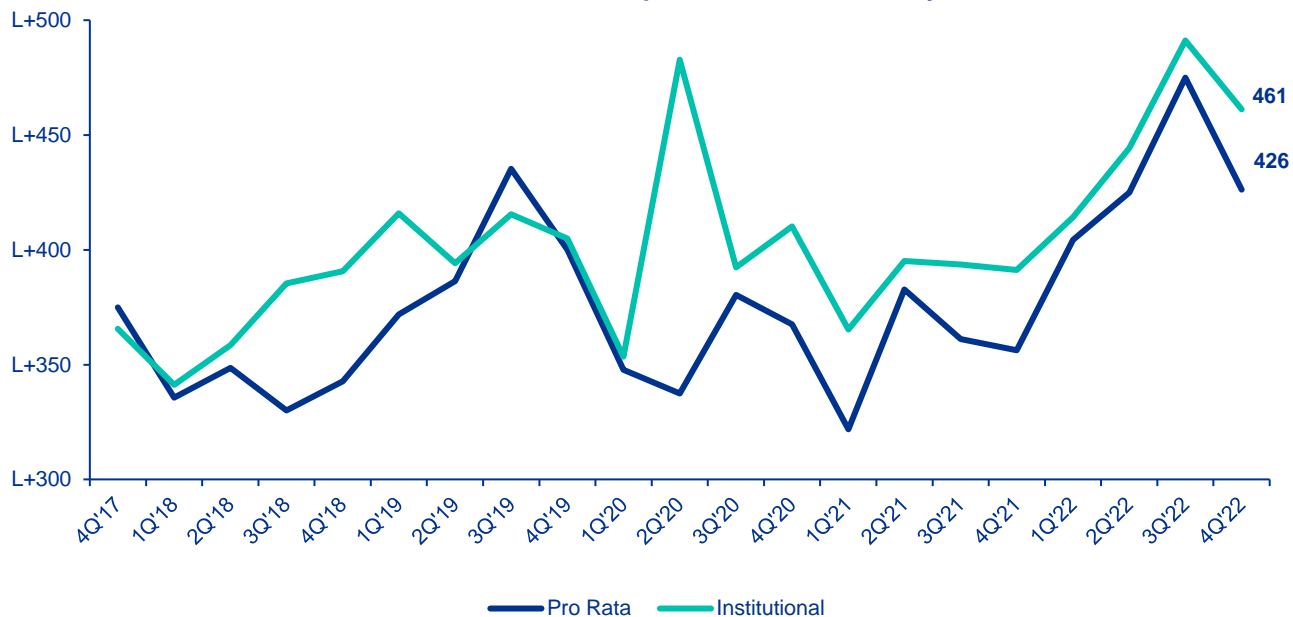
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Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly



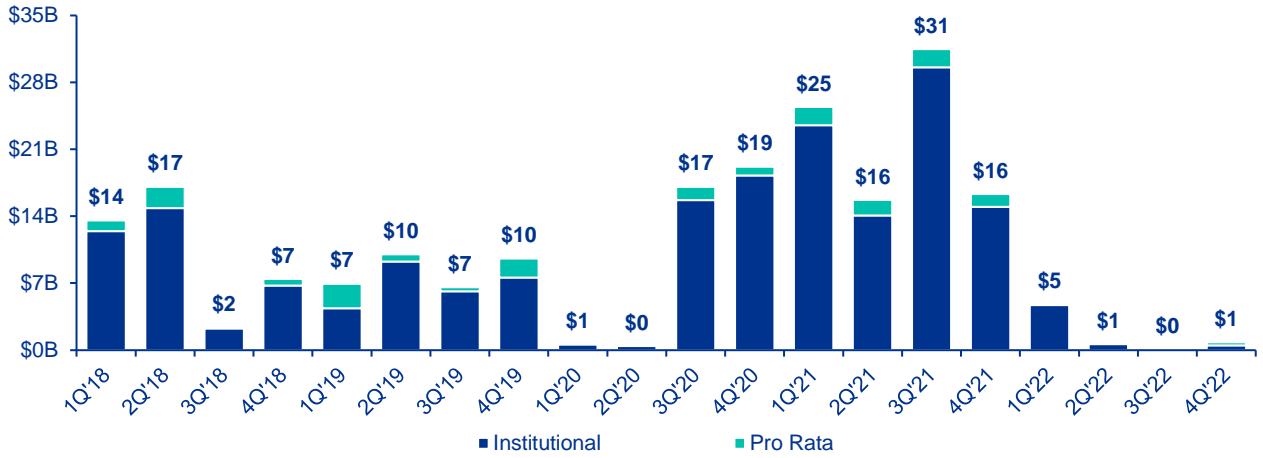
Source: PitchBook | Leveraged Commentary & Data.



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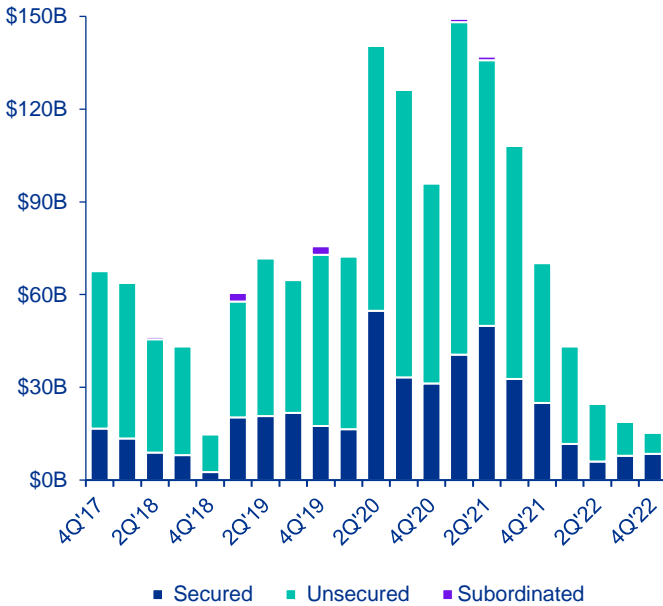
Dividend Recapitalization

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

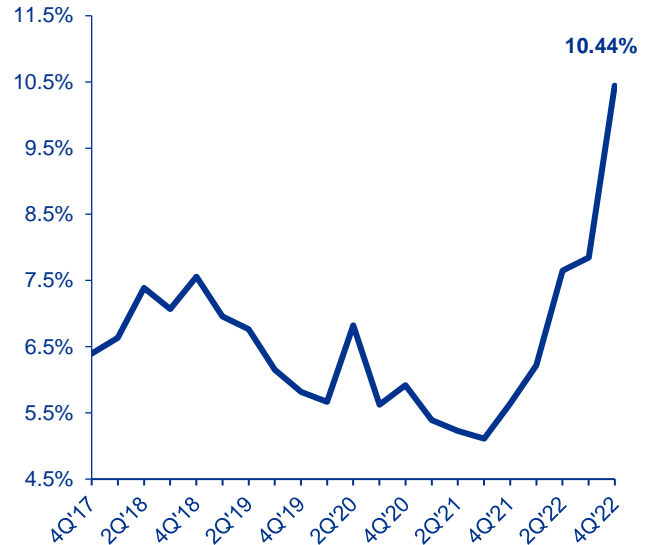


High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New-issue High-Yield Bond Yields



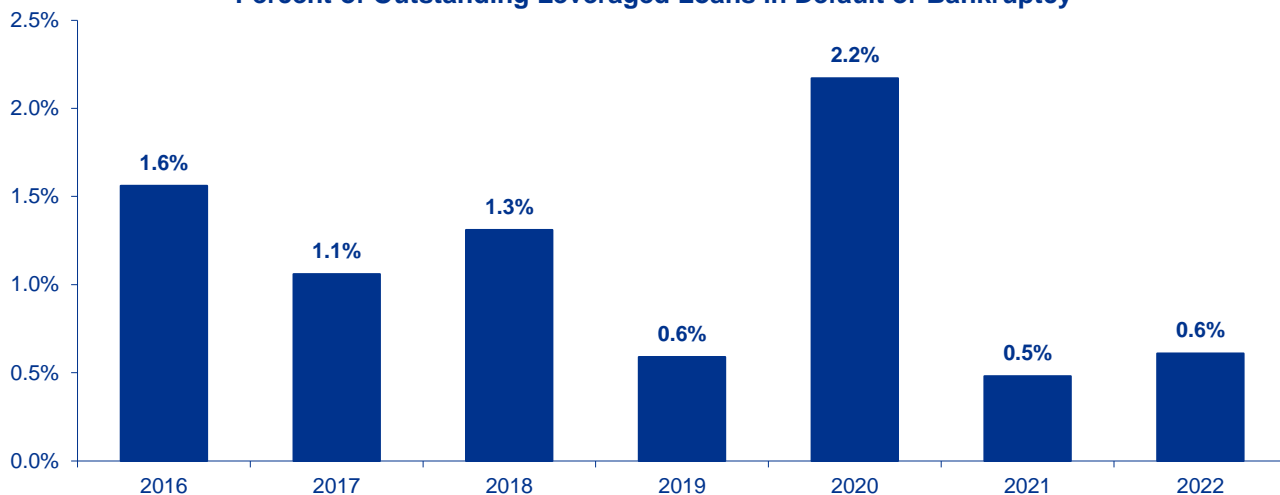
Source: PitchBook | Leveraged Commentary & Data.



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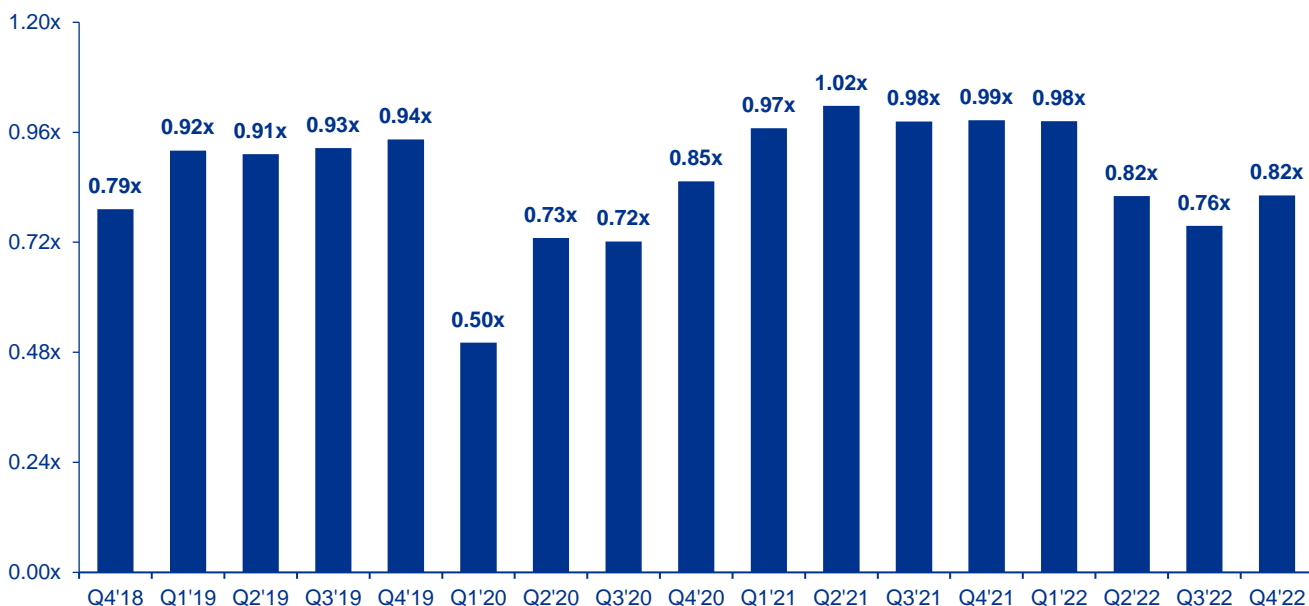
Distress and Defaults

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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