



Credit Markets Update

December 31, 2022

Credit Markets Update

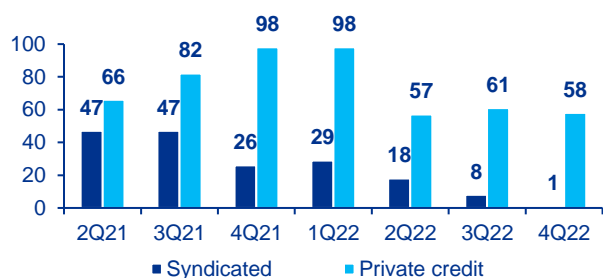
Leveraged loan volume sharply decreased in 2022 amid significantly higher borrowing costs and increased recessionary risks to the economy

- 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.

New Issue Leveraged Loan Volume (\$bn)



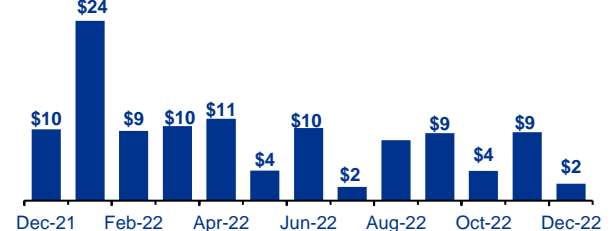
Count of LBOs financed in broadly syndicated vs private credit markets



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

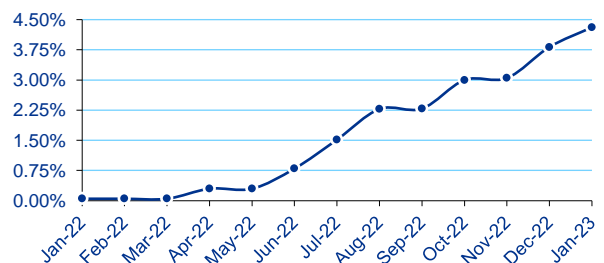
High-Yield Volume (\$bn)



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

Secured Overnight Financing Rate (SOFR)



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

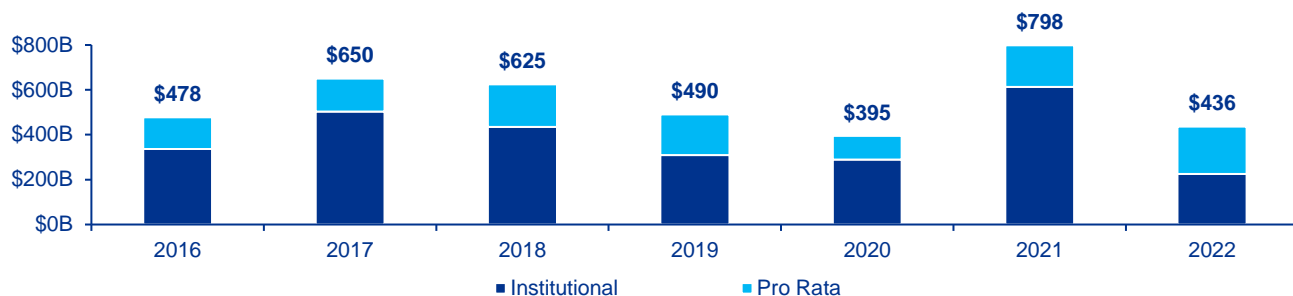
Source: Standard & Poor - Leveraged Commentary & Data, KPMG Market Research.



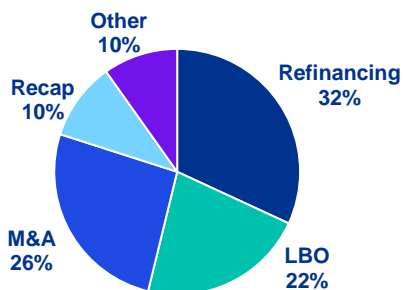
©2023 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Leveraged Loans

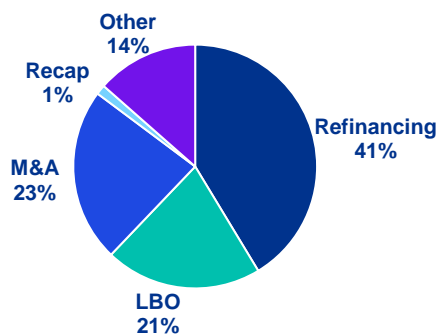
New-Issue Leveraged Loan Volume (\$bn)



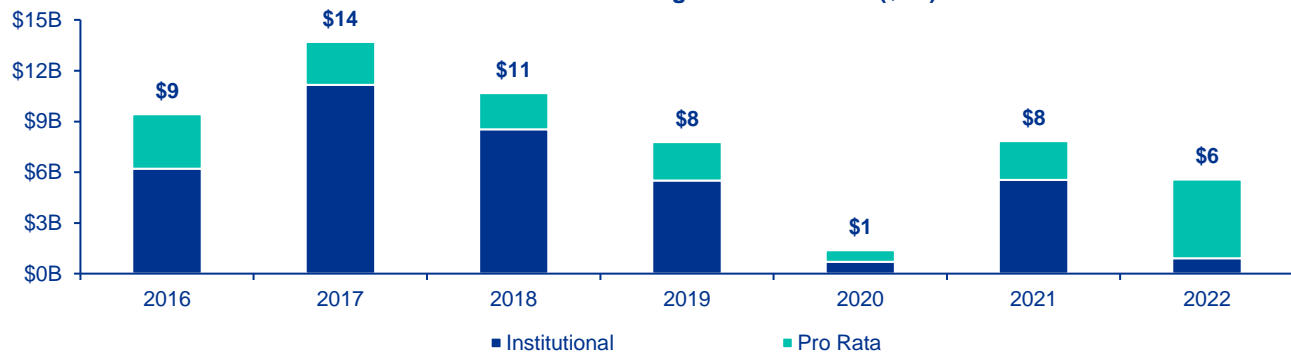
Leveraged Loan Issuance by Purpose - 2021



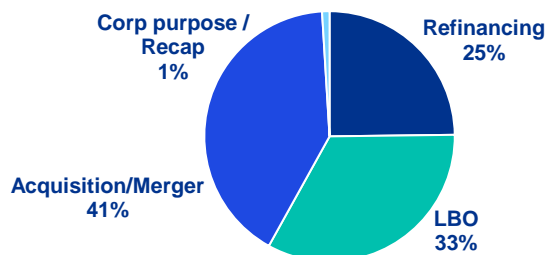
Leveraged Loan Issuance by Purpose - 2022



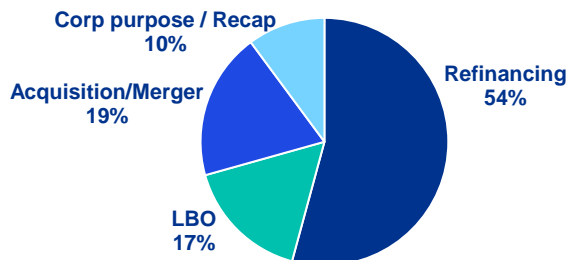
Middle Market Leveraged Loan Volume (\$bn)



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.



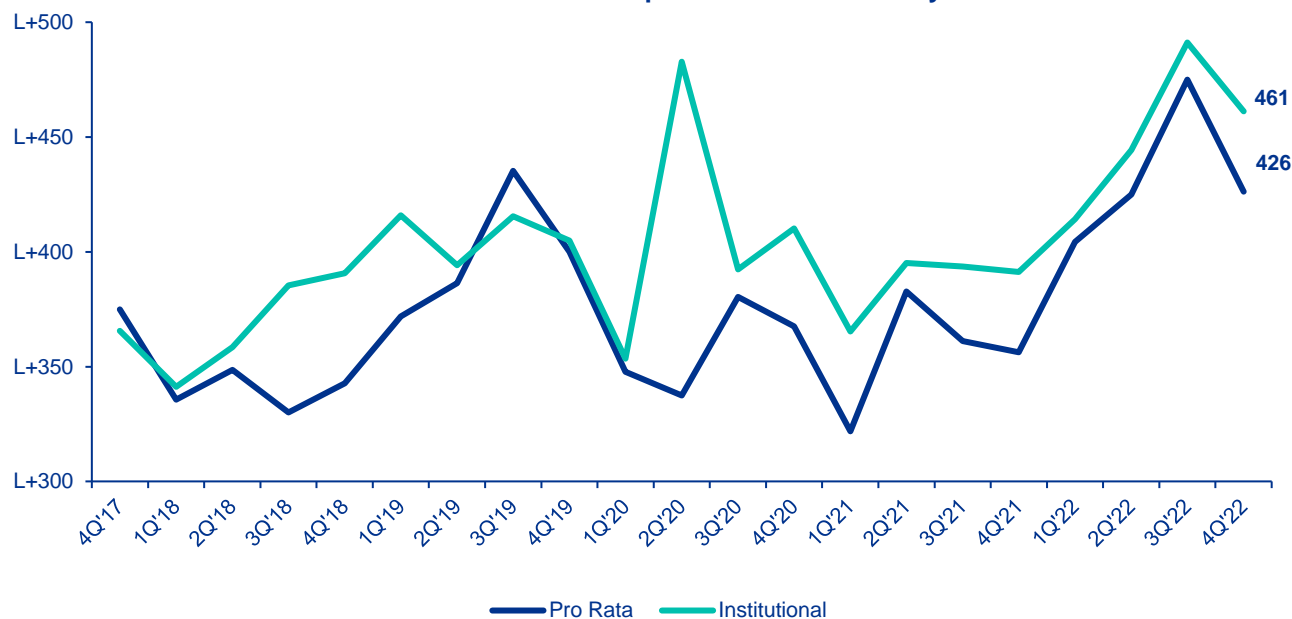
©2023 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly



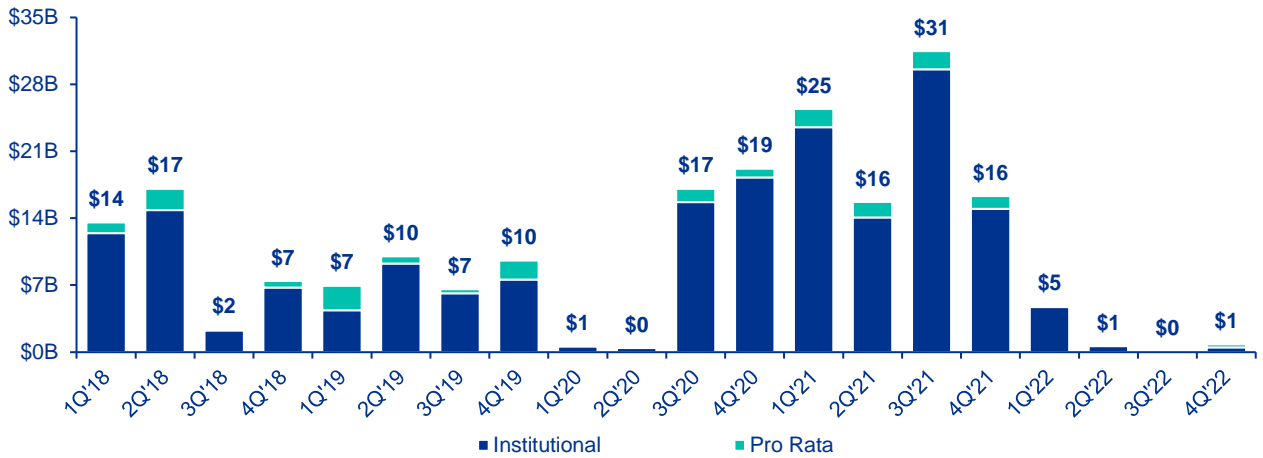
Source: PitchBook | Leveraged Commentary & Data.



©2023 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

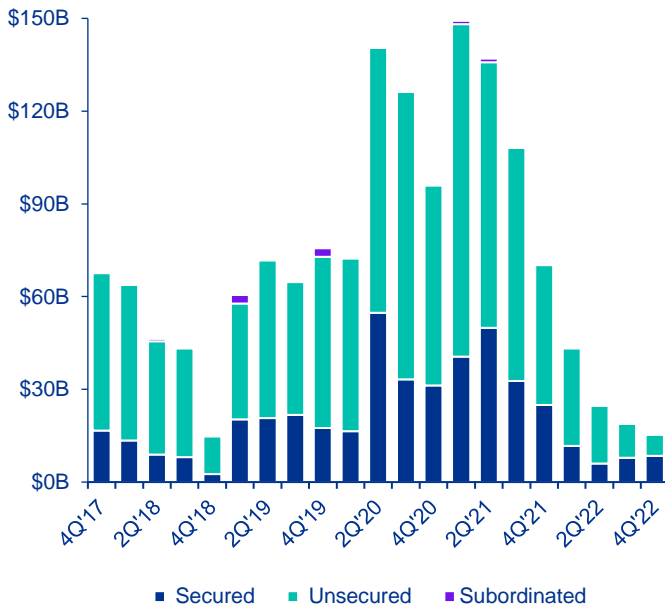
Dividend Recapitalization

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

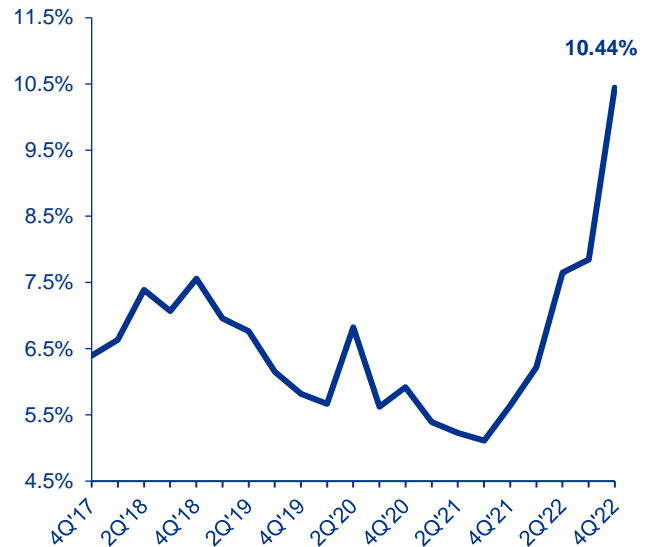


High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New-issue High-Yield Bond Yields



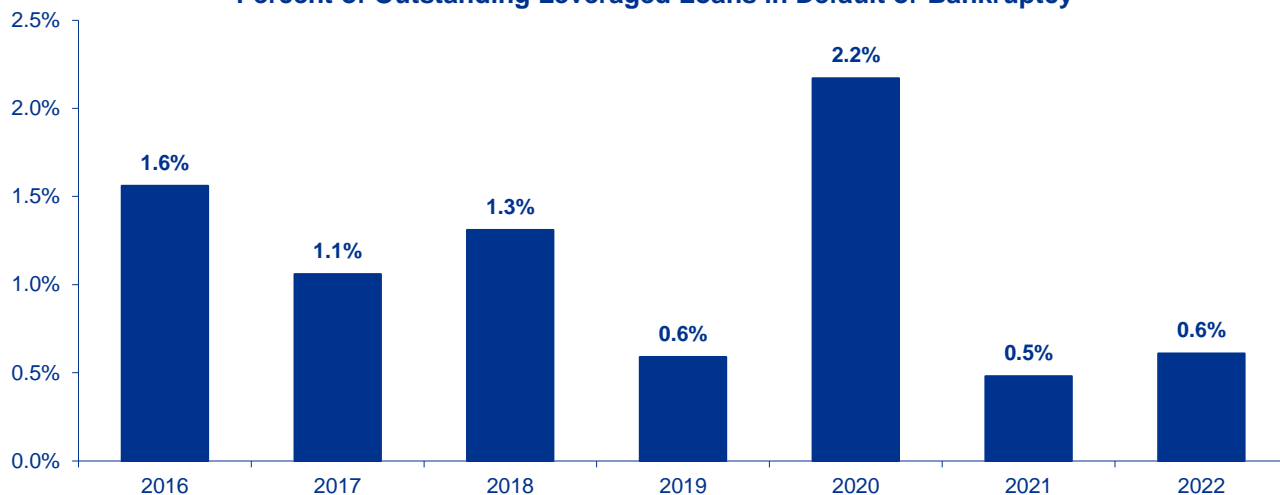
Source: PitchBook | Leveraged Commentary & Data.



©2023 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

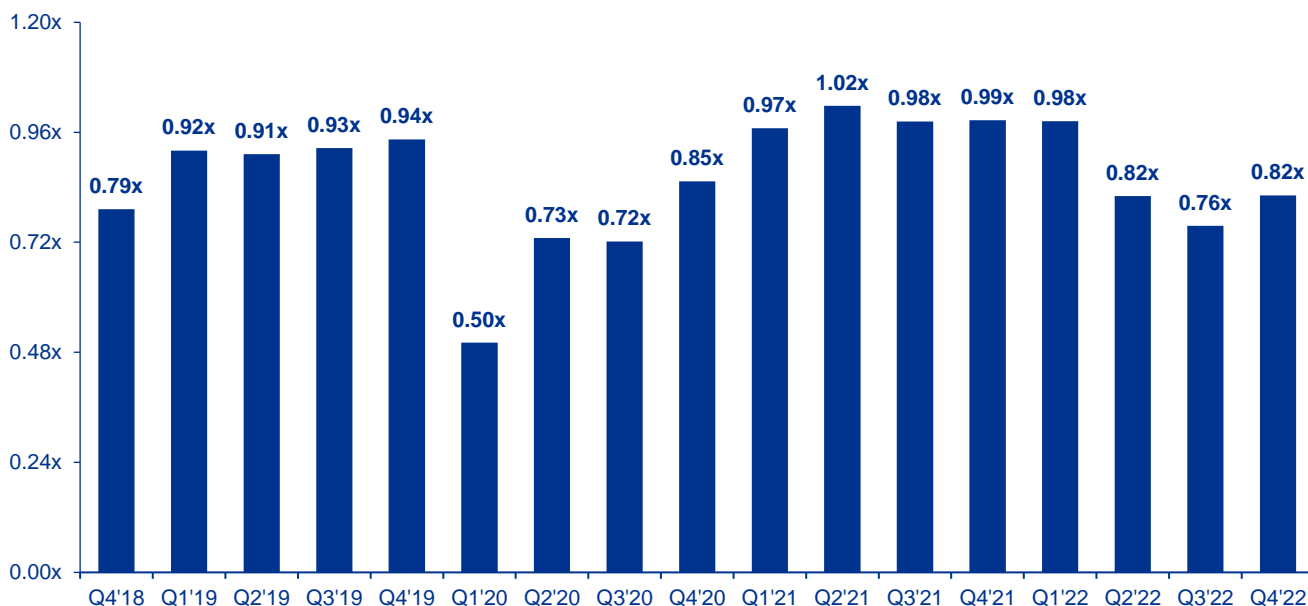
Distress and Defaults

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.



©2023 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

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



Project Rays

Debt Advisory

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

In process



Project Move

Debt Advisory

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

In process



Debt Advisory

Acted as the exclusive financial advisor to Fortem Holdings in connection with securing debt for the acquisition of C&TDG Management LLC

**Not Disclosed
2021**



Debt Advisory

Acted as the exclusive financial advisor to Nextlink in connection with securing a new credit facility

**Not Disclosed
2021**



Debt Advisory

Acted as financial advisor to AgXplore in connection with raising credit facilities used for a recapitalization

**Not Disclosed
2020**



Debt Advisory

Acted as the exclusive financial advisor to Tidewater Fleet Supply in connection with securing a new credit facility

**Not Disclosed
2019**



Debt Advisory

Has completed a capital raise (senior debt and equity co-investment) to fund the acquisition of 1 Priority Environmental Services

**Not Disclosed
2018**



Debt Advisory

Acted as exclusive financial advisor to Razzoo's, Inc. in a debt capital raise

**Not Disclosed
2017**

For more information, contact:



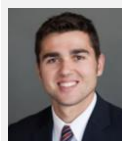
Philip Isom

Principal
Global Head of M&A
312-665-1911
pisom@kpmg.com



Doug Christensen

Director
Debt Capital Markets
312-665-2960
djchristensen@kpmg.com



Rob Caliento

Senior Associate
Debt Capital Markets
212-954-6201
rcaliento@kpmg.com

www.kpmgcorporatefinance.com

Corporate finance services, including Financing, Debt Advisory, and Valuation Services, are not performed by all KPMG member firms and are not offered by member firms in certain jurisdictions due to legal or regulatory constraints.



©2023 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

Important notice

The information contained in this newsletter is of a general nature and is not intended to address the circumstances of any particular individual or entity including their investment objectives or financial needs. In preparing this newsletter, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act or rely on the information in this newsletter without appropriate professional advice after a thorough examination of the particular situation. The information contained in this newsletter does not constitute a recommendation, offer, or solicitation to buy, sell or hold any security of any issuer. Past performance does not guarantee future results.