



Credit Markets Update

June 30, 2023

Credit Markets Update

New-issuance loan volume continued at a slow pace during the second quarter as borrowers continue to feel the pressure of high debt servicing costs

- Second quarter new issue leveraged loan volume reached \$77.9 billion, down sharply from \$131.3 billion in the second quarter of 2022, but recording the highest volume for past twelve months
 - The leveraged loan market continues at a slow pace as borrowers seek new deals focused on debt repayment and maturity extension
- Refinancing volume of \$45.1 billion accounted for much of the new-issue volume in the quarter, albeit down 4% compared to the first quarter
 - Over 74% of refinancing volume mix was composed of single-B rated issuers dealing with maturity walls
- M&A activity continues to languish with \$36.0 billion of issuance during the first half of the year
- Private credit continue to be the financing of choice for buyouts, outpacing the syndicated loan market in LBO activity
 - Private credit continues to be favored by private equity sponsors primarily driven by certainty of close as regional banks continue to be cautious
- Default rates reached 1.4% for the first half of 2023, the highest level since 2020
 - Borrowers expect to feel continued stress as covenants continue to be burdened with higher interest costs

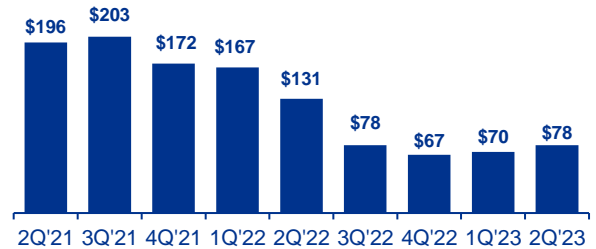
High yield volume reached \$93.6 billion during the first half of 2023, already approaching the \$102.3 billion total of 2022

- Second quarter volume of \$53.6 billion marks a significant improvement over \$24.7 billion during the same period in 2022
- The average yield at issuance ended the second quarter at 8.7%, but not before testing a peak of 8.8% amid the top of the banking crisis

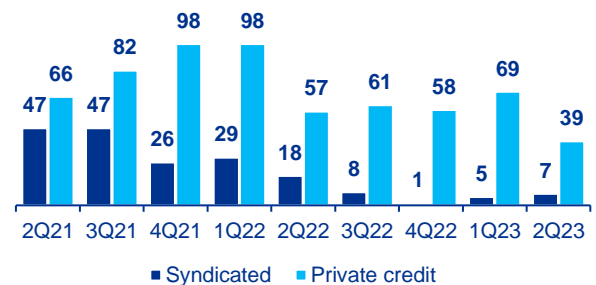
After ten consecutive interest rate hikes, the Federal reserve paused rate hikes in June to assess the policy impact before further tightening through the remainder of 2023

- SOFR closely tracks the federal funds rate, and now remains above 5%
- The Federal Reserve indicated the possibility of more rate increases, albeit at a slower pace, to combat inflation. The Federal Reserve remains committed to its 2% inflation target

New-Issue Leveraged Loan Volume (\$bn)



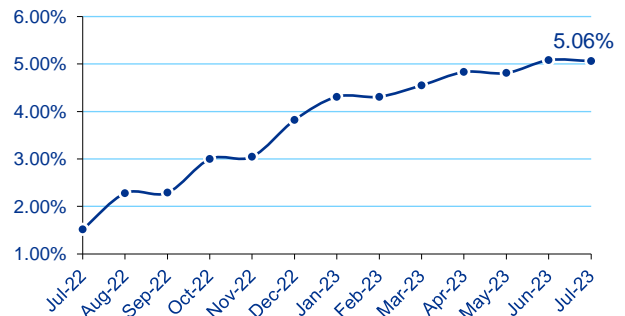
Count of LBOs financed in broadly syndicated vs private credit markets



High Yield Volume (\$bn)⁽¹⁾



Secured Overnight Financing Rate (SOFR)



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

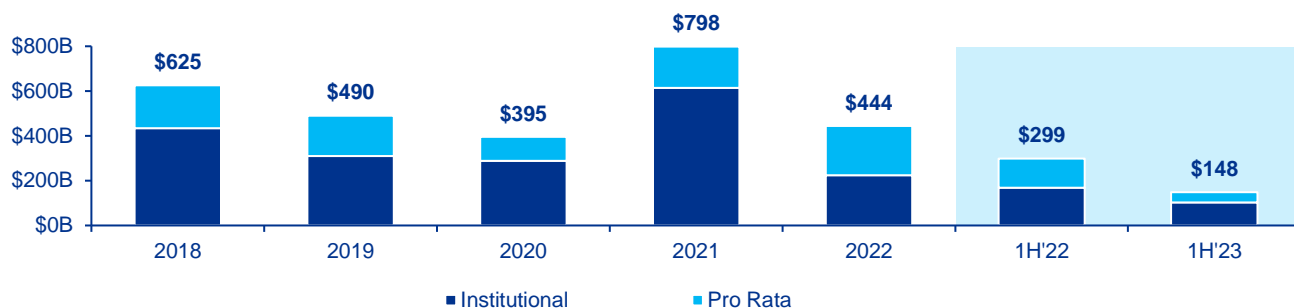
Source: PitchBook | Leveraged Commentary & Data, KPMG market research



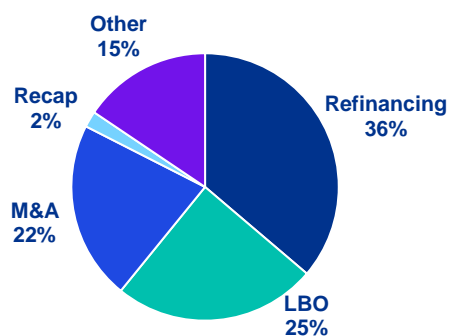
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Leveraged Loans

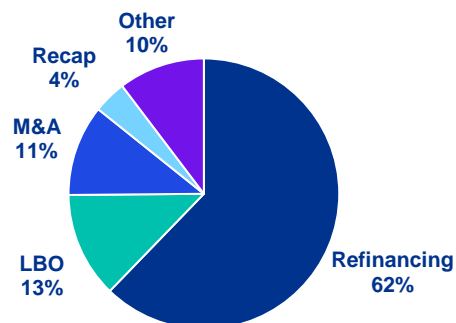
New-Issue Leveraged Loan Volume (\$bn)



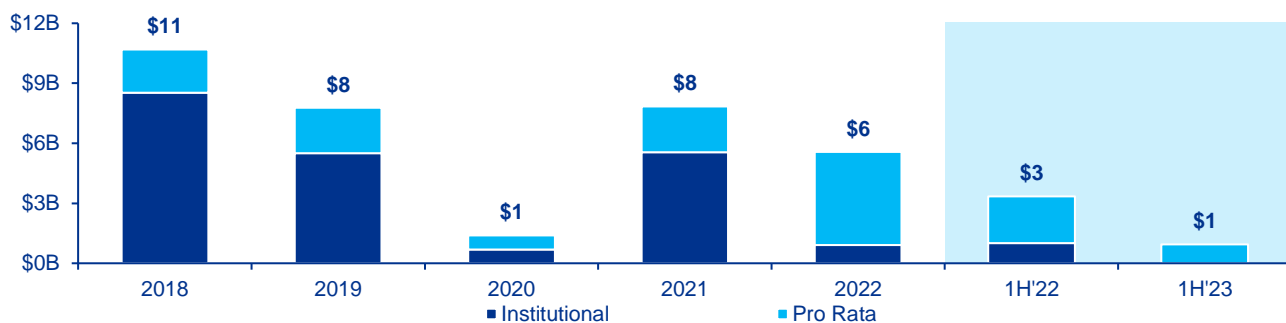
Leveraged Loan Issuance by Purpose – 1H'22



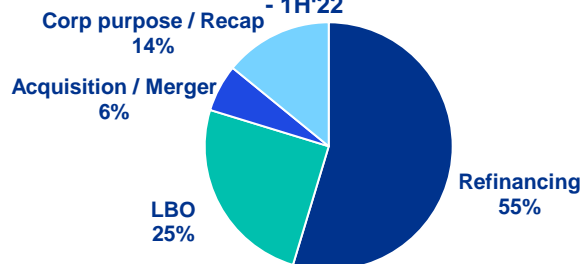
Leveraged Loan Issuance by Purpose - 1H'23



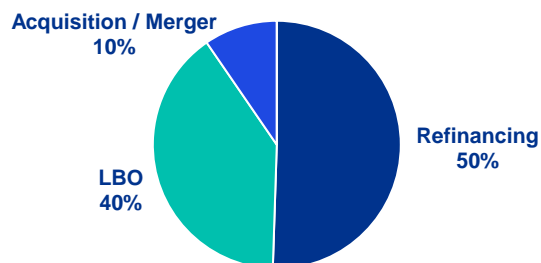
Middle Market Leveraged Loan Volume (\$bn)



Middle Market Leveraged Loan Volume by Purpose - 1H'22



Middle Market Leveraged Loan Volume by Purpose - 1H'23



Source: PitchBook | Leveraged Commentary & Data.

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



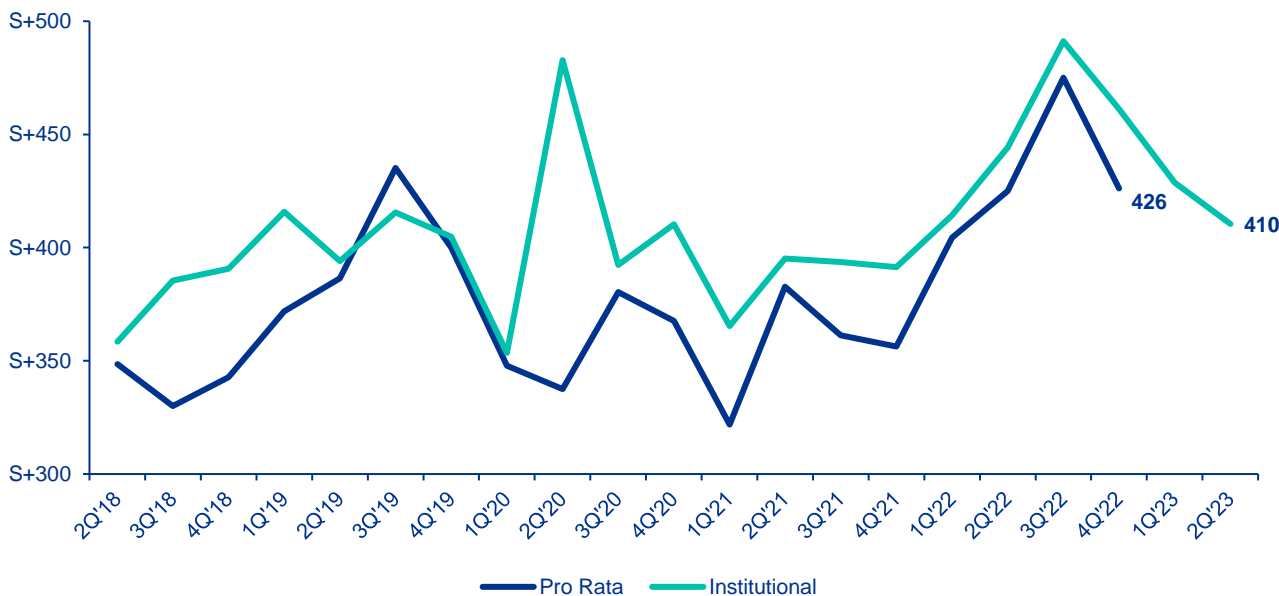
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Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly



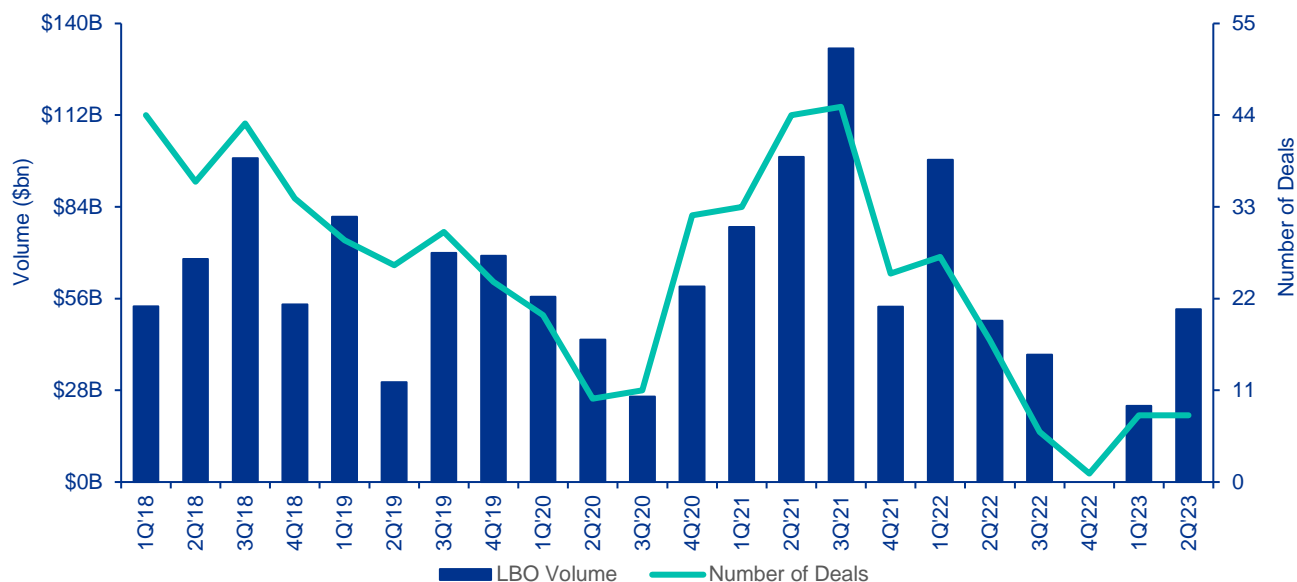
Source: PitchBook | Leveraged Commentary & Data.



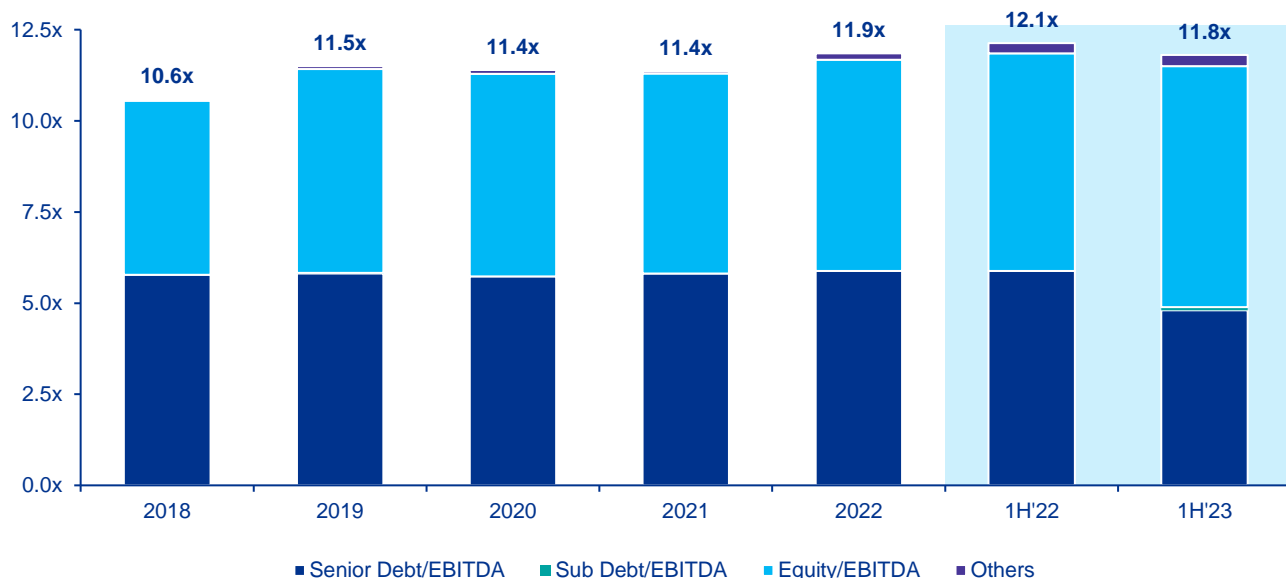
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LBO Summary

LBO Transaction Volume - Quarterly (\$bn)



Average Purchase Price Multiple - All LBOs



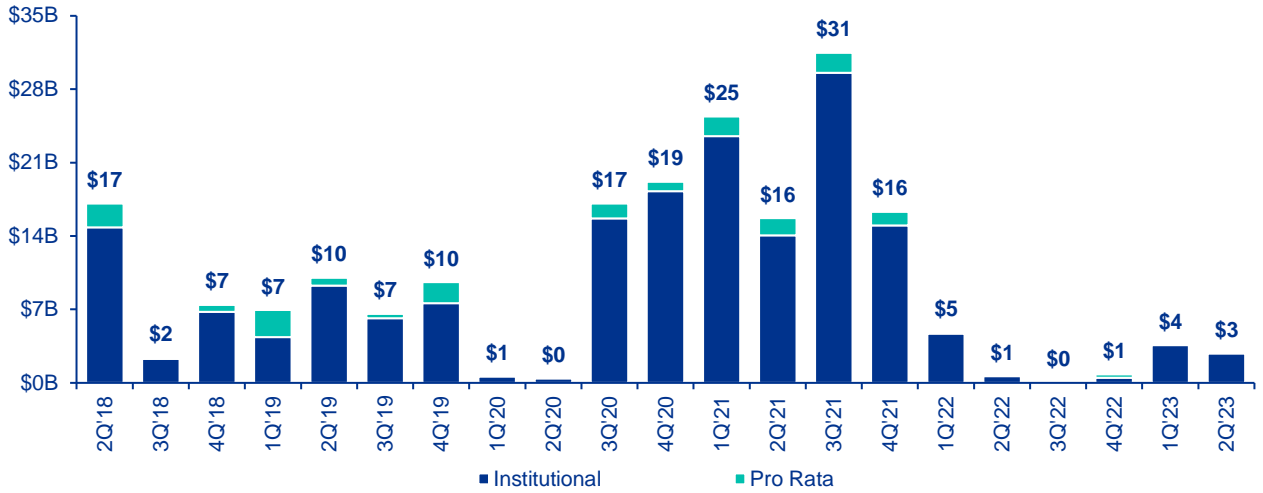
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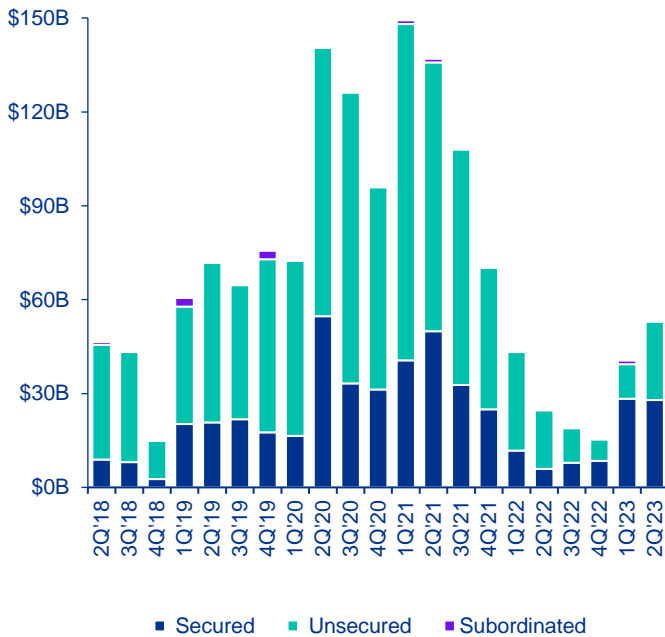
Dividend Recapitalization

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

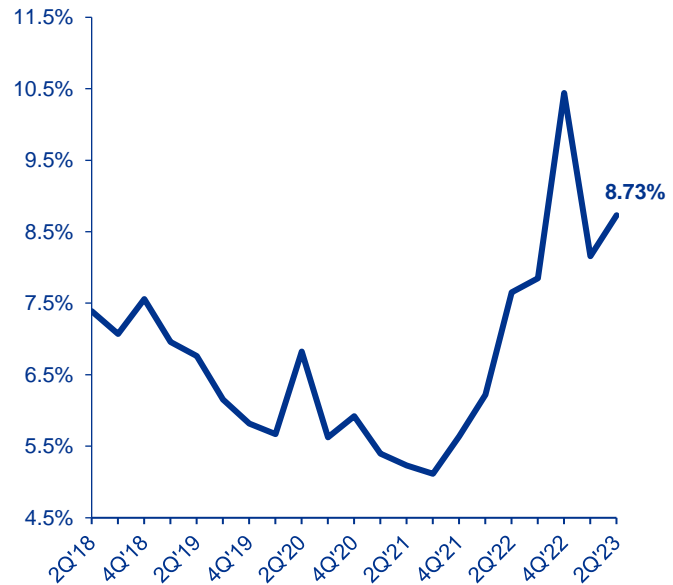


High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New issue High yield Bond yield to Maturity

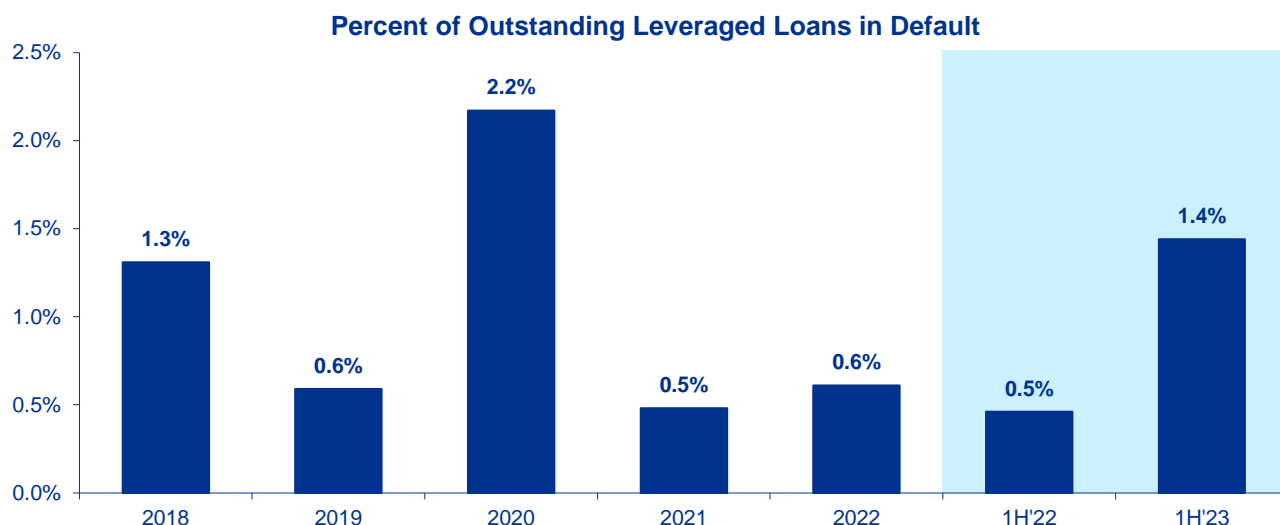


Source: PitchBook | Leveraged Commentary & Data.

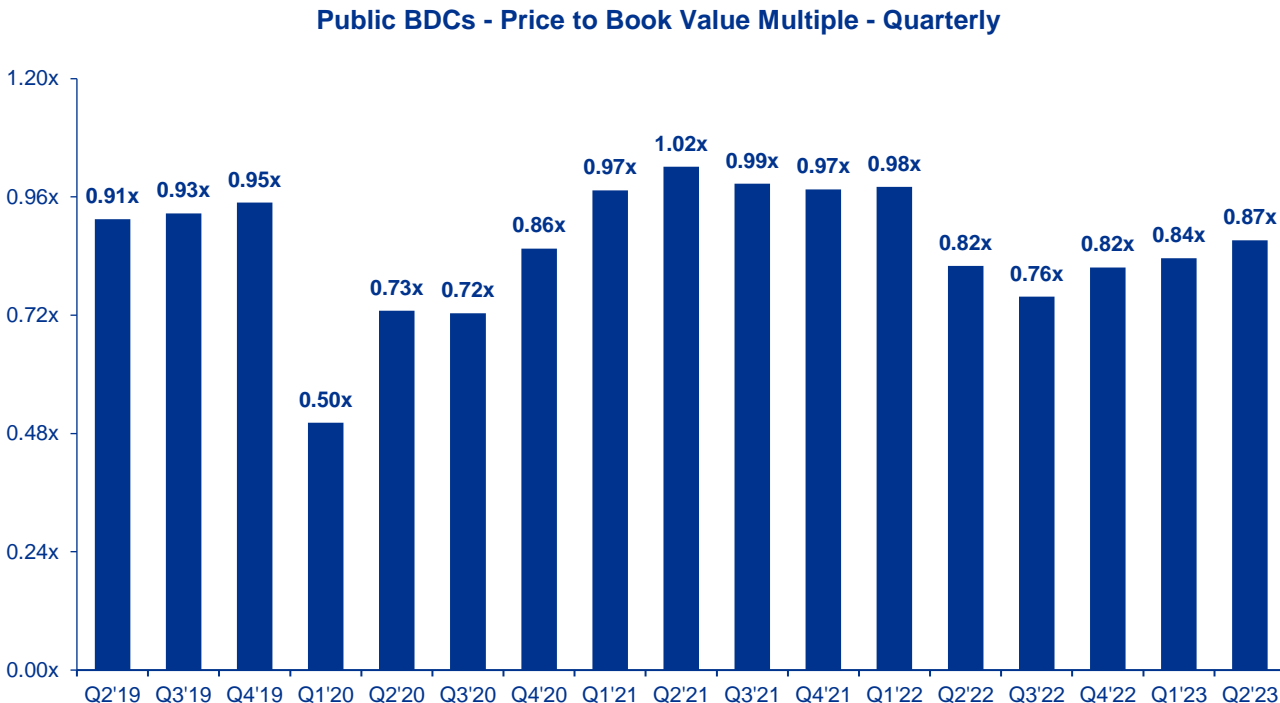


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Distress and Defaults



Price to Book Value



Source: PitchBook | Leveraged Commentary & Data.



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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

Selected Debt Capital Markets Transactions



Project Diamond

Debt Advisory

Acting as the exclusive financial advisor to a specialty pharmaceuticals company in connection with raising debt capital

In Process



Project Panthers

Debt Advisory

Acting as the exclusive financial advisor to a Southeast-based Alcohol Distilling Business in connection with acquisition financing

In Process



Debt Advisory

Acting as the exclusive financial advisor to a commercial point-of-purchase solution provider in connection with raising debt

Not Disclosed



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



Debt Advisory

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

Not Disclosed



Debt Advisory

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

Not Disclosed



Debt Advisory

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

Not Disclosed



Debt Advisory

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

Not Disclosed

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