



Credit Markets Update

September 30, 2023

Credit Markets Update

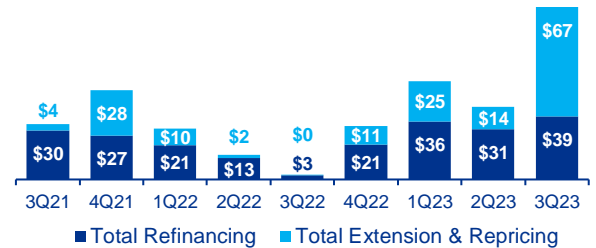
Leverage loan volumes recovered in the third quarter as secondary prices and risk sentiment improved

- Third quarter new issue leveraged loan volume reached \$94.3 billion, a 20% increase from \$78.1 billion in the third quarter of 2022, and the highest volume for the past five quarters
 - M&A volumes recovered in the third quarter reaching \$38.0 billion, or a 66% increase from the second quarter, but still well below historical levels
- Refinancing activity remained strong in the third quarter, capturing about 74% of the U.S. Institutional loan volume
 - Repricing and amend-and-extend activity, which doesn't factor into overall issuance data, witnessed a significant increase as borrowers seek continuance with their existing lenders amid continued worries about market conditions
- The syndicated loan market made a mild recovery related to higher quality LBO assets, while private credit continues to be the financing of choice for relatively riskier deals and sponsors seeking options for their bolt-on investments

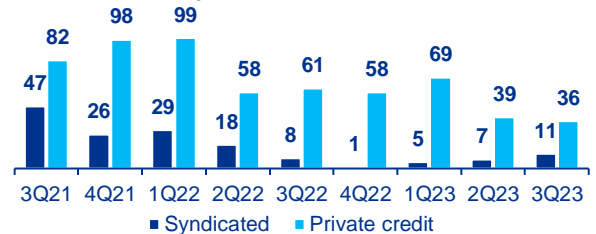
New-Issue Leveraged Loan Volume (\$bn)



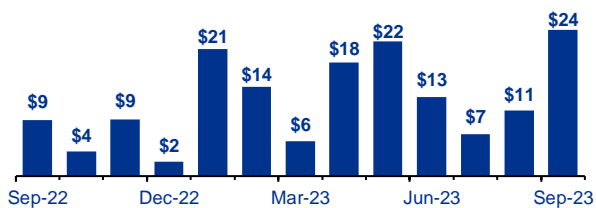
U.S. Institutional Refinancing Loan Volume (\$bn)



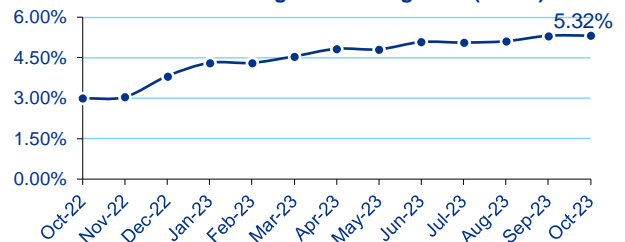
Count of LBOs financed in broadly syndicated vs private credit markets



High Yield Volume (\$bn)



Secured Overnight Financing Rate (SOFR)



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

High yield volume ticked up in the third quarter to \$41.0 billion versus \$18.9 billion in 2022, as YTD volume reached \$134.7 billion

- Third quarter volume of \$41.0 billion recorded a significant improvement versus 2022 stemming from record activity in September driven by M&A deadlines and looming refinancing needs
- The average yield at issuance closed the third quarter at 9.32%. Despite elevated yields, levels continue to stay below the decade high of 10.44% reached at the end of 2022

The Federal Reserve paused raising rates at its September meeting citing progress on inflation and a gradual tightening in the labor market

- The Federal Reserve indicated one more rate increase may be needed before the year concludes, highlighting the commitment toward the 2% inflation target
- Geopolitical events have now made the macro picture more difficult to forecast and along with that, monetary policy as well

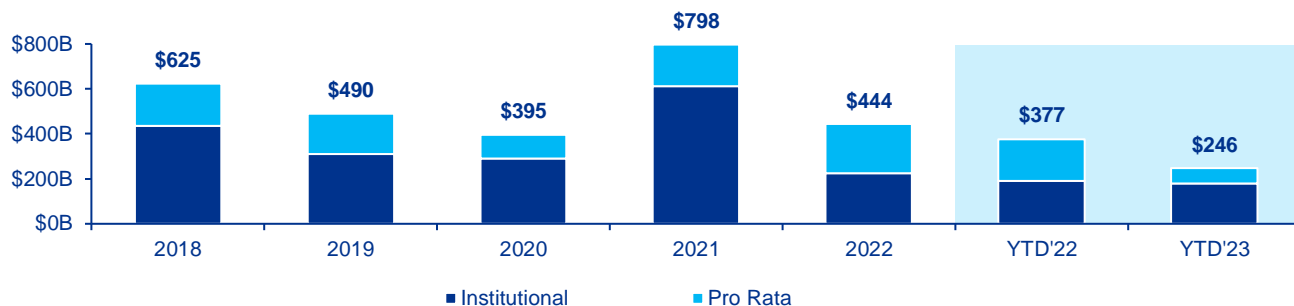
Source: Standard & Poor - Leveraged Commentary & Data, KPMG Market Research.



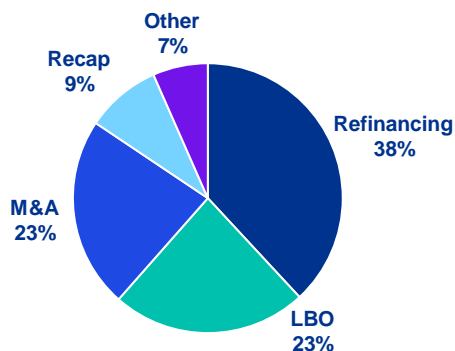
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Leveraged Loans

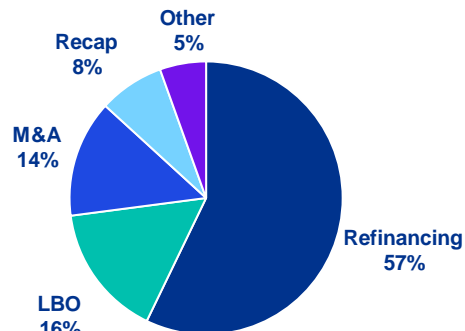
New-Issue Leveraged Loan Volume (\$bn)



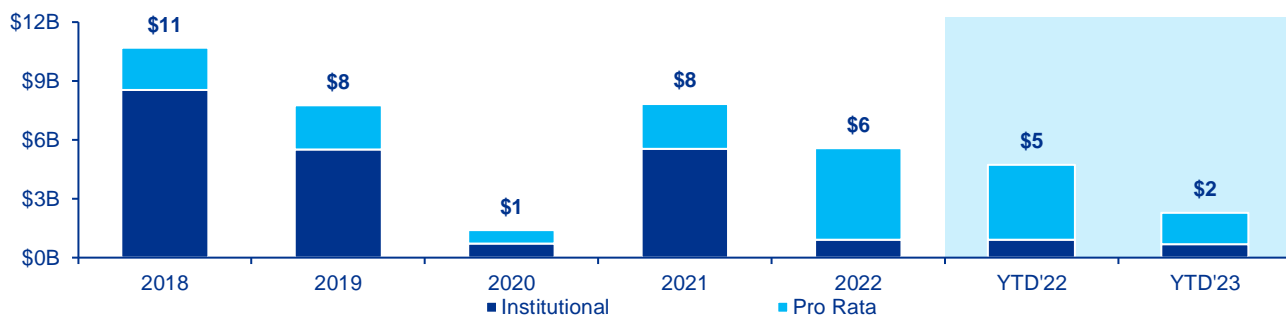
Leveraged Loan Issuance by Purpose - YTD'22



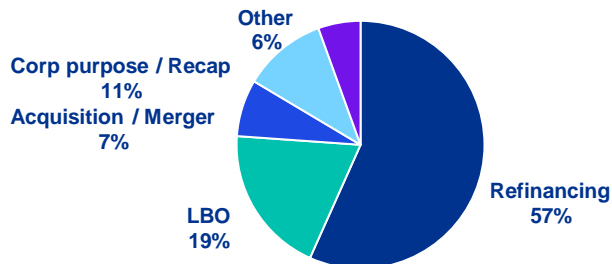
Leveraged Loan Issuance by Purpose - YTD'23



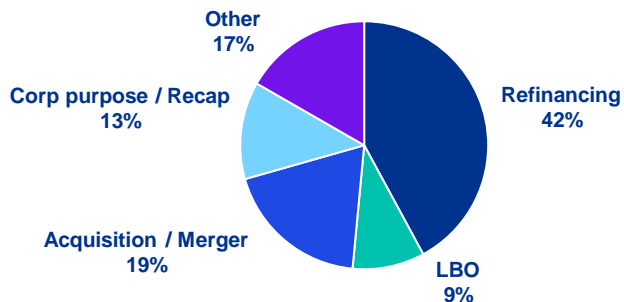
Middle Market Leveraged Loan Volume (\$bn)



Middle Market Leveraged Loan Volume by Purpose - YTD'22



Middle Market Leveraged Loan Volume by Purpose - YTD'23



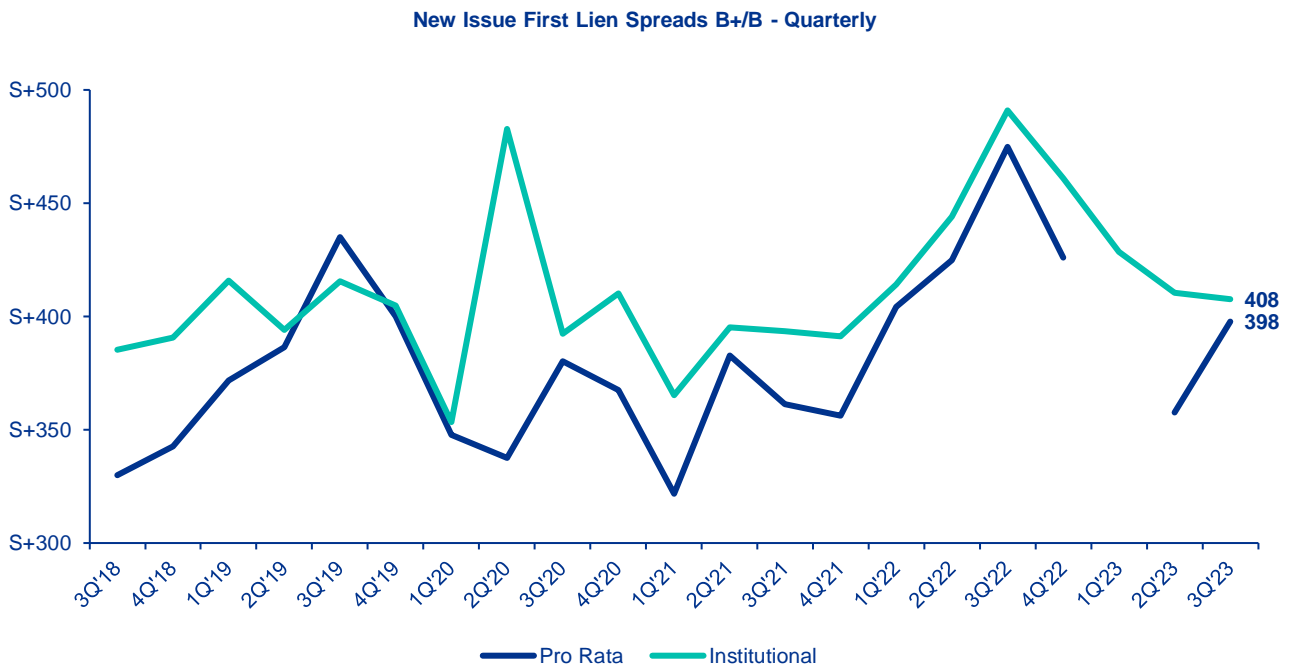
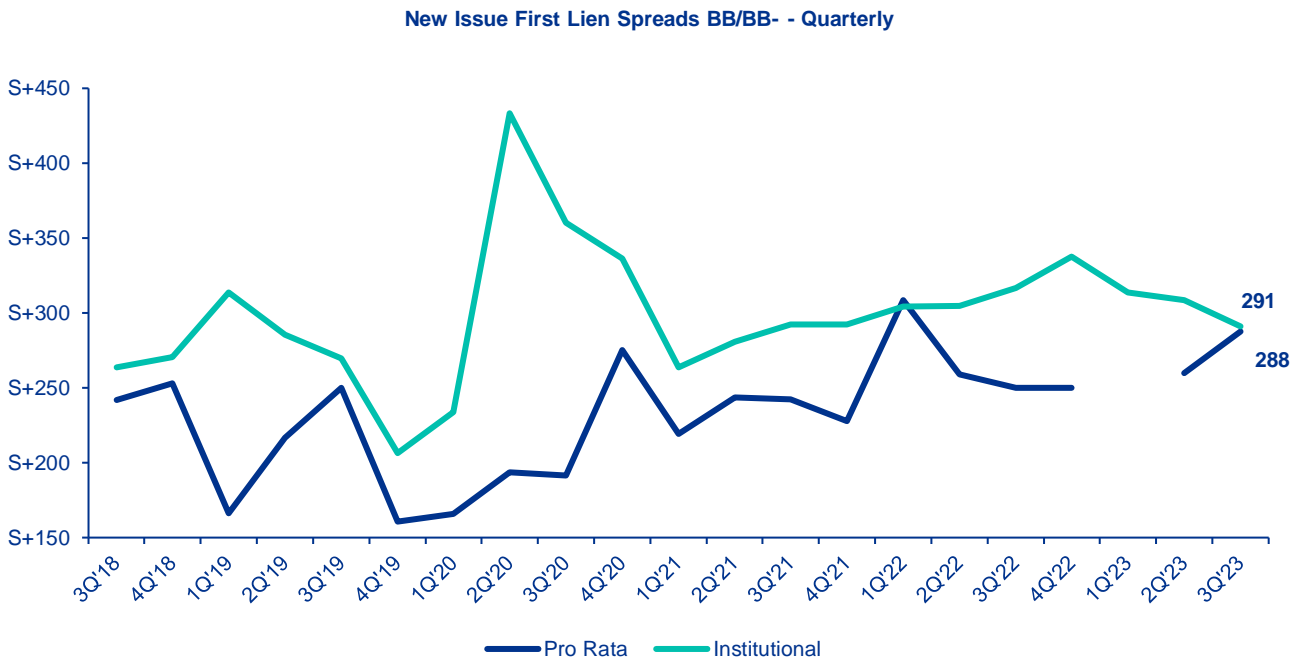
Source: PitchBook | Leveraged Commentary & Data.

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



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Leveraged Loans (continued)

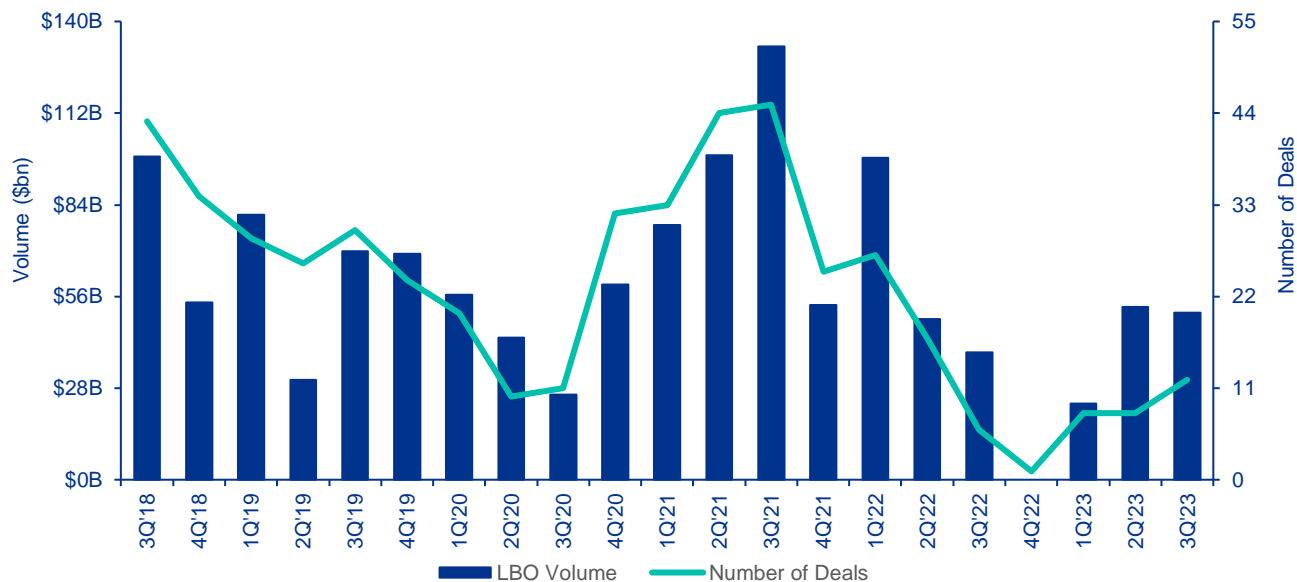


Source: PitchBook | Leveraged Commentary & Data.



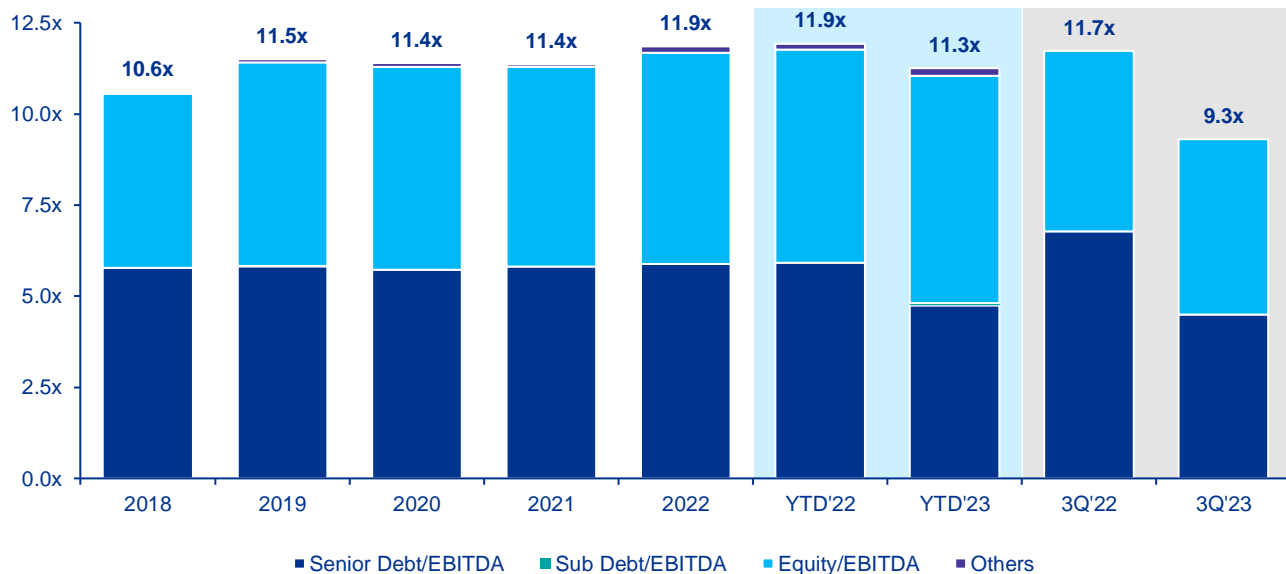
LBO Summary

LBO Transaction Volume - Quarterly (\$bn)



Note: 4Q'22 LBO volume data not available

Average Purchase Price Multiple - All LBOs



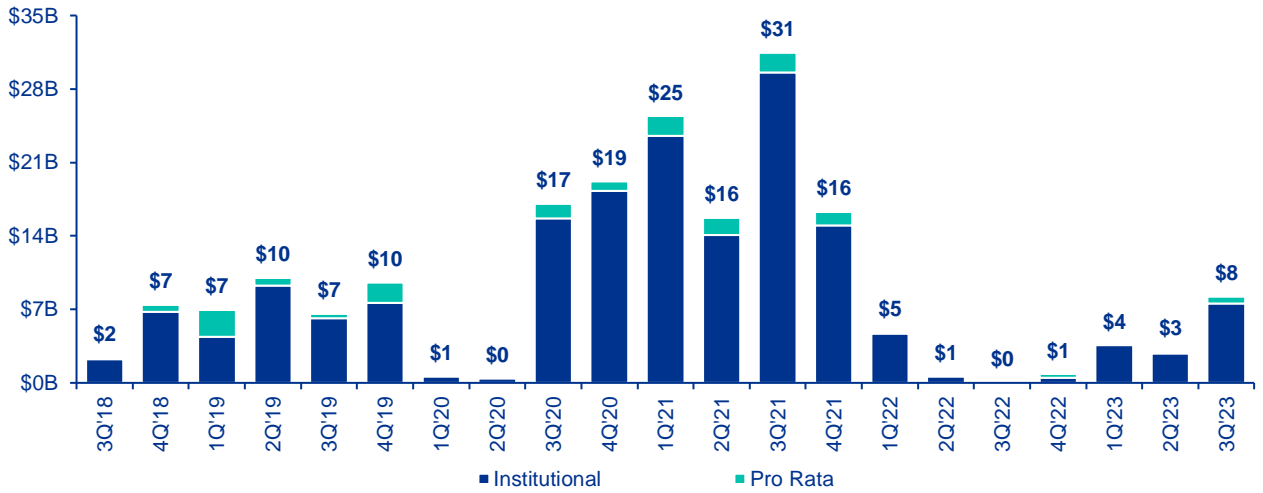
Source: PitchBook | Leveraged Commentary & Data.



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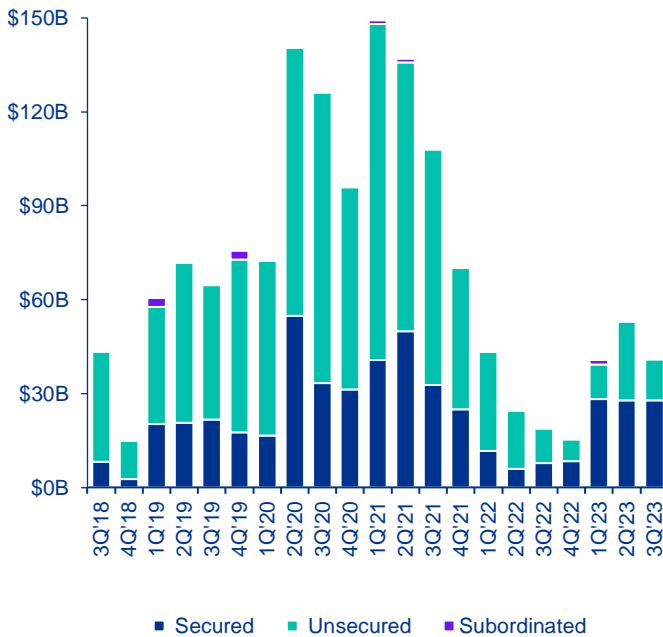
Dividend Recapitalization

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

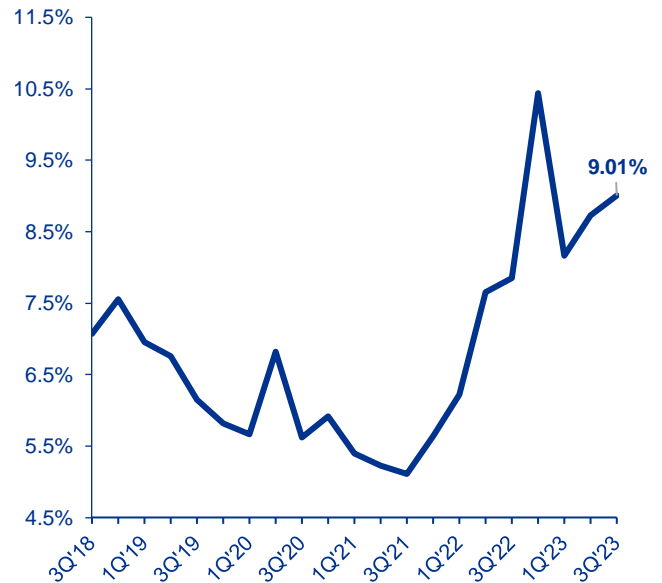


High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New issue High yield Bond yield to Maturity

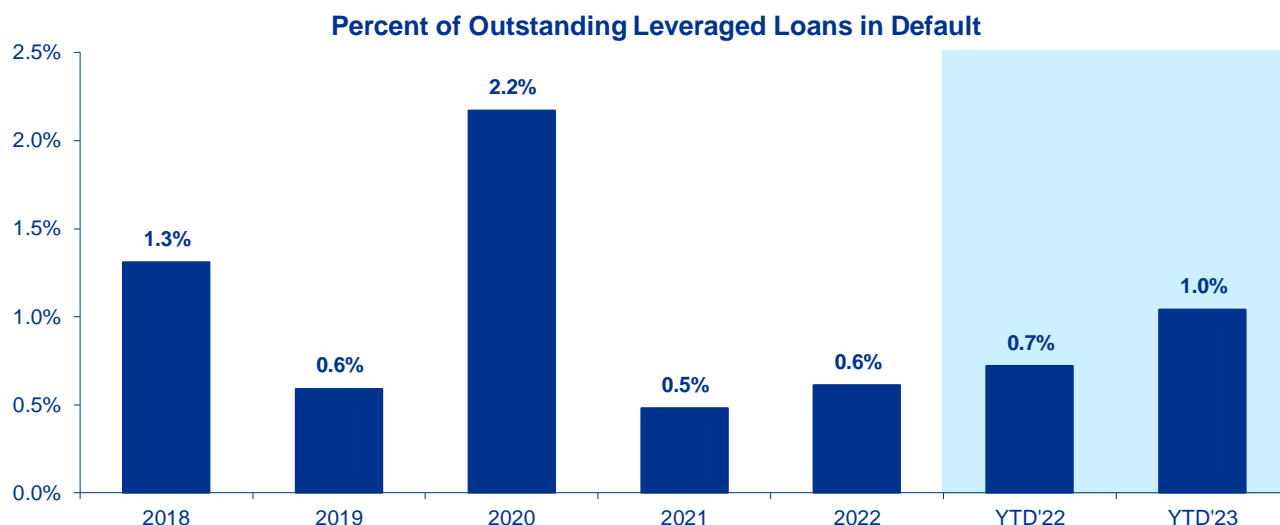


Source: PitchBook | Leveraged Commentary & Data.

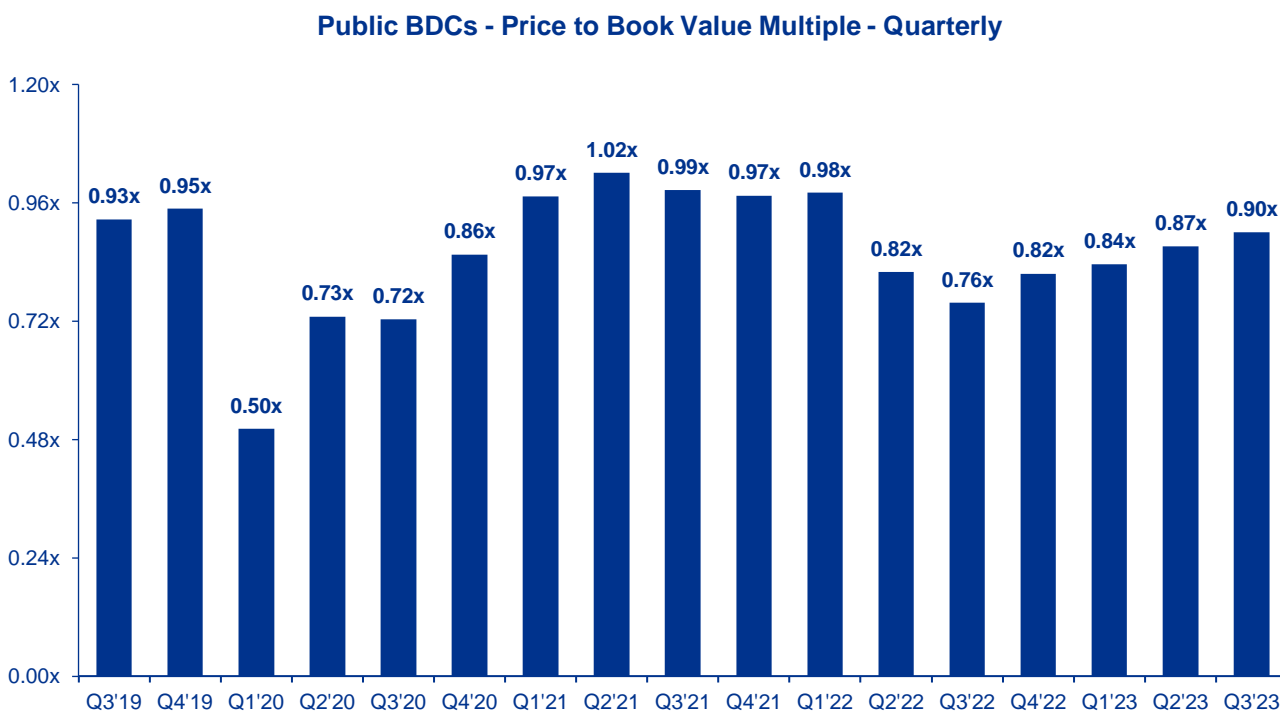


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Distress and Defaults



Price to Book Value



Source: PitchBook | Leveraged Commentary & Data; KPMG Market Research



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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 Runway

Debt Advisory

Acting as the exclusive financial advisor to an aircraft brokerage and management company in connection with acquisition financing

In Process



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

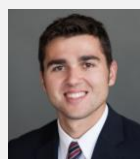
Not Disclosed

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