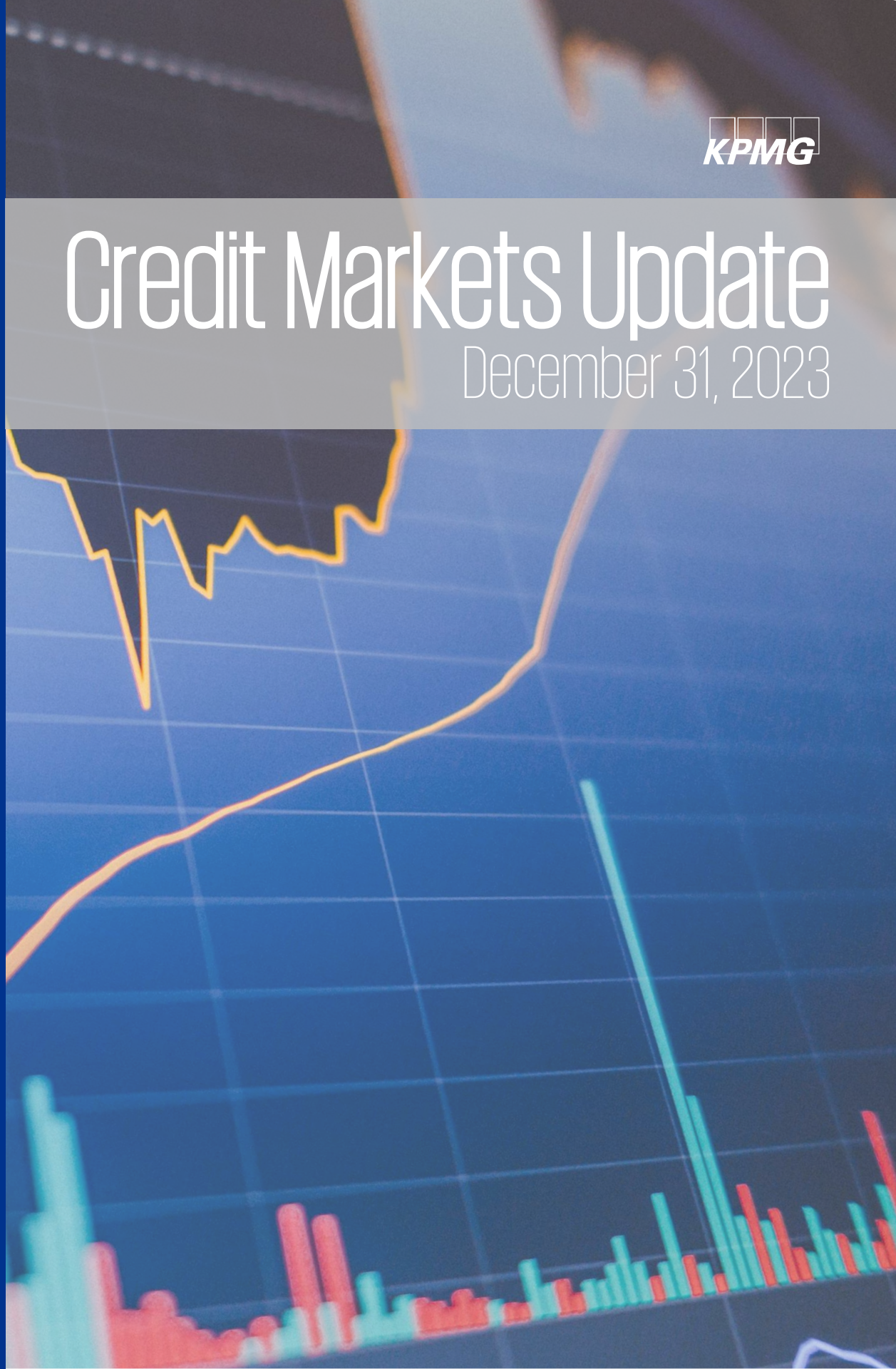




Credit Markets Update

December 31, 2023



Credit Markets Update

Overall leverage loan volumes continued to decline in 2023 as higher rates significantly muted M&A activity. Borrowers instead focused on amend-and-extend activity and extending maturities

- Fourth quarter new issue leveraged loan volume reached \$72.3 billion, an increase from \$67.1 billion in the same period in 2022, and a decline from \$103.0 billion in the third quarter of 2023
 - M&A volumes, after a relatively modest recovery in the third quarter, declined again in the fourth quarter reaching \$19.8 billion, closing the year at \$99.4 billion, down 53% compared to 2022, driven by a higher rate environment
- Refinancing activity was the main driver in the fourth quarter, capturing over 60% of fourth quarter loan volume and 57% of 2023 total loan volume
 - Borrowers focused on refinancing activity in order to extend maturities
 - Repricing activity remained popular in the fourth quarter, particularly with borrowers who issued debt earlier in the year who took advantage of market conditions to lower spreads
- Sponsored M&A financings marked its lowest level since 2011, with \$24.3 billion printed in 2023, and its second consecutive annual decline

Annual high yield volume increased to 176.1 billion in 2023 versus \$102.3 billion in 2022 behind a more dovish tone from the Fed

- Fourth quarter volume of \$41.3 billion recorded a significant improvement versus \$15.4 billion in 2022, as a result of dovish signals emanating from the Federal Reserve indicating the possible conclusion of rate hikes
- The average yield at issuance closed the fourth quarter at 8.26%, recording a consistent decline from the second and third quarters

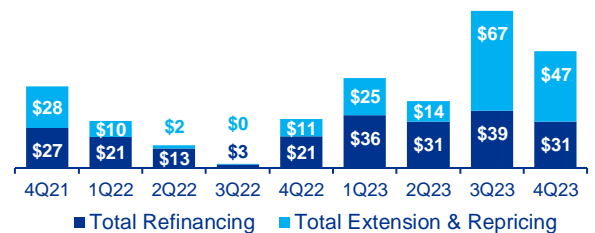
The Federal Reserve maintained interest rates unchanged, while indicating a possible lower target range in 2024

- The Federal Reserve signaled the possibility of rate reductions during 2024 to address concerns around the impact of “overly restrictive” monetary policy on economic activity
- Continued geopolitical uncertainty and upcoming U.S. election are expected to play a key role in policy decisions in the coming year

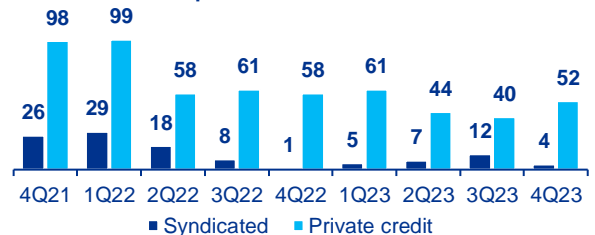
New-Issue Leveraged Loan Volume (\$bn)



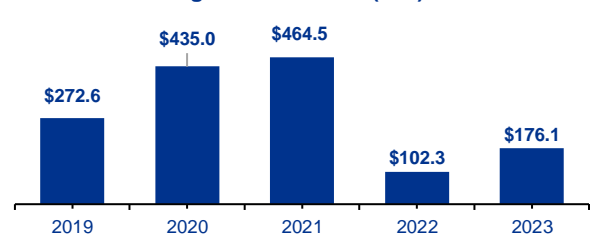
U.S. Institutional Refinancing Loan Volume (\$bn)



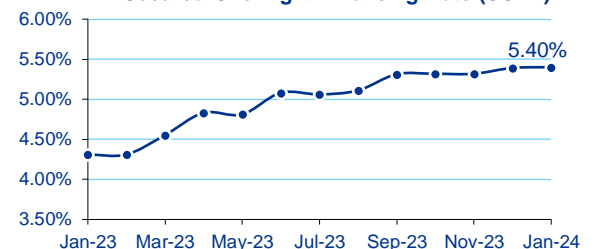
Count of LBOs financed in broadly syndicated vs private credit markets



High Yield Volume (\$bn)



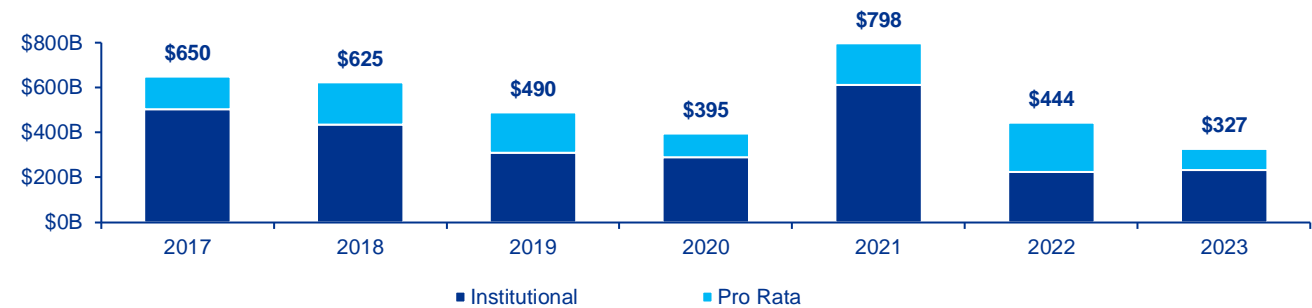
Secured Overnight Financing Rate (SOFR)



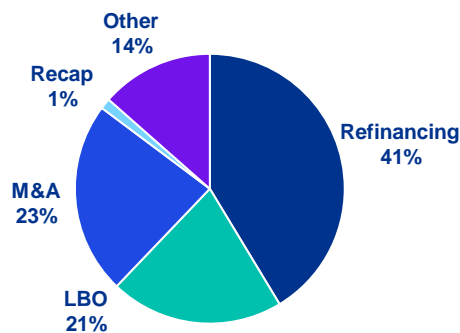
Source: New York Fed; 90-day Term SOFR rate

Leveraged Loans

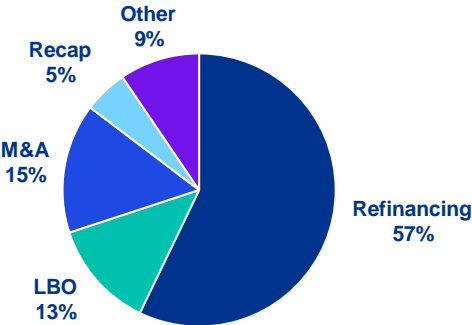
New-Issue Leveraged Loan Volume (\$bn)



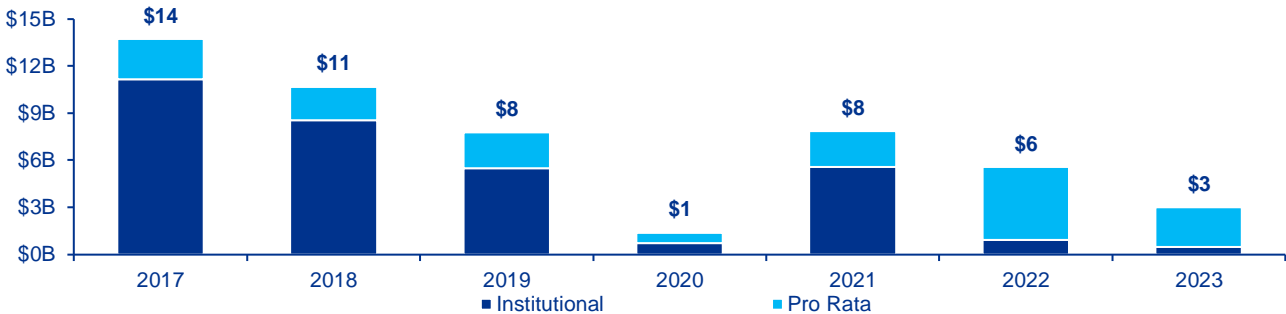
Leveraged Loan Issuance by Purpose - 2022



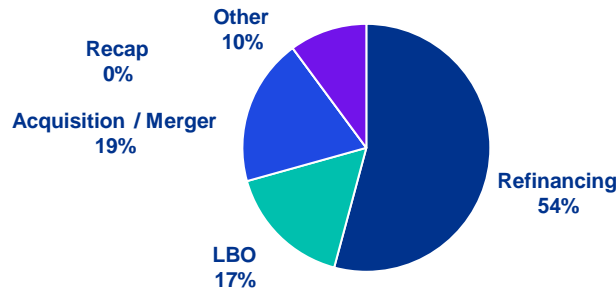
Leveraged Loan Issuance by Purpose - 2023



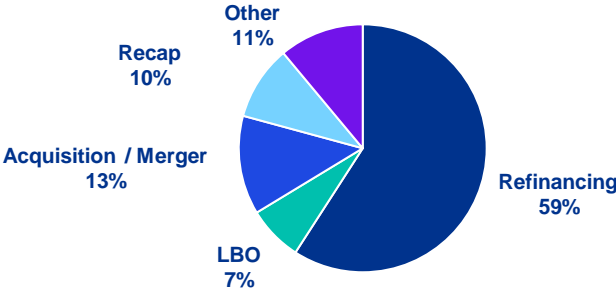
Middle Market Leveraged Loan Volume (\$bn)



Middle Market Leveraged Loan Volume by Purpose - 2022



Middle Market Leveraged Loan Volume by Purpose - 2023

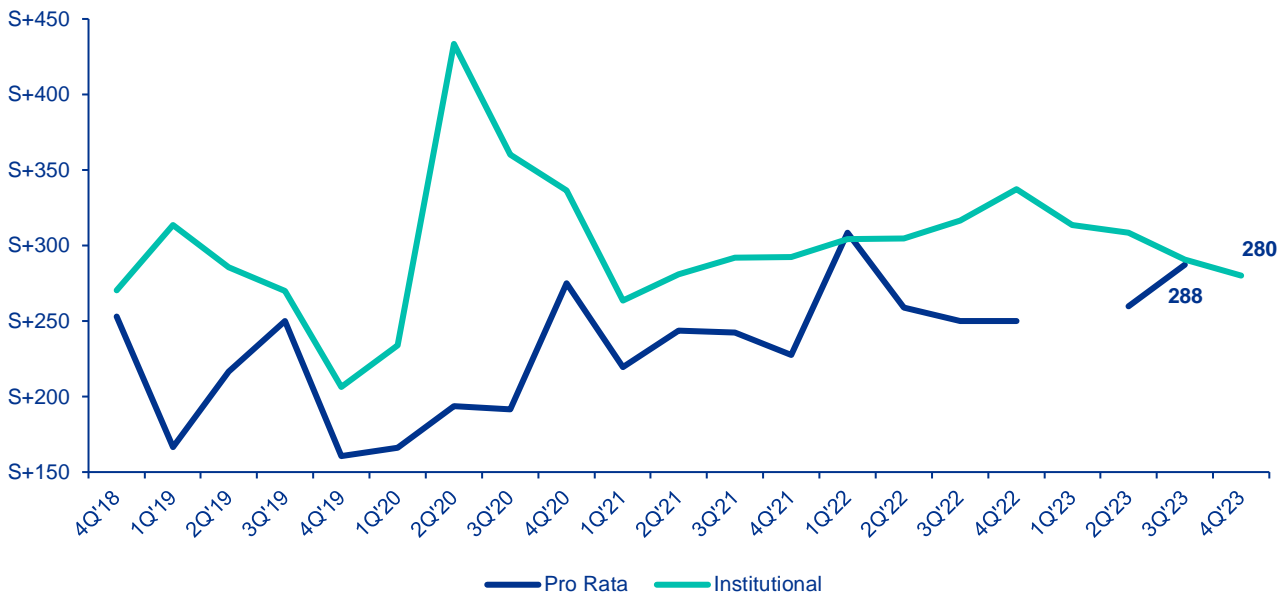


Source: PitchBook | Leveraged Commentary & Data.
 Note: Middle market refers to companies with EBITDA of \$50 million or less.



Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly

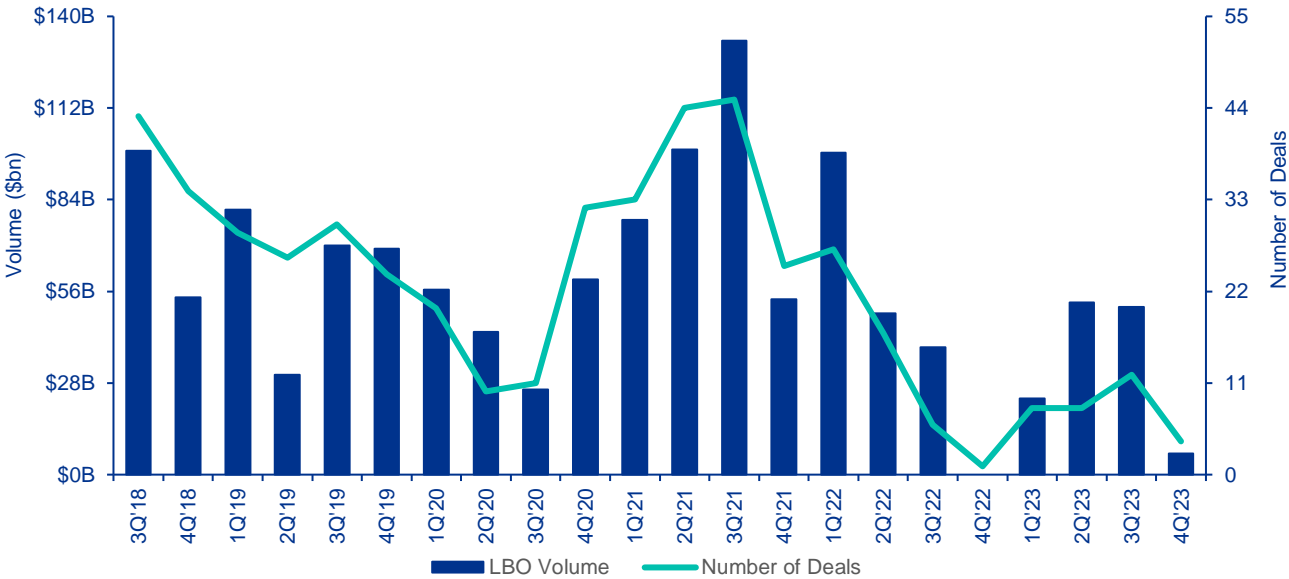


Source: PitchBook | Leveraged Commentary & Data.



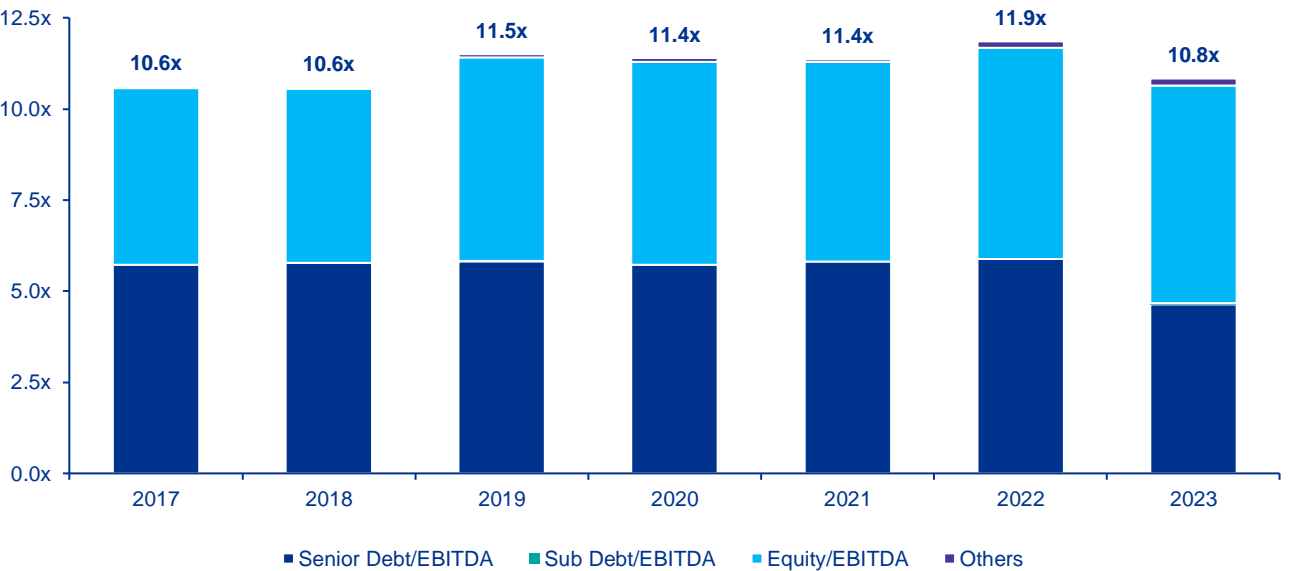
LBO Summary

LBO Transaction Volume - Quarterly (\$bn)



Note: 4Q'22 LBO volume data not available

Average Purchase Price Multiple - All LBOs

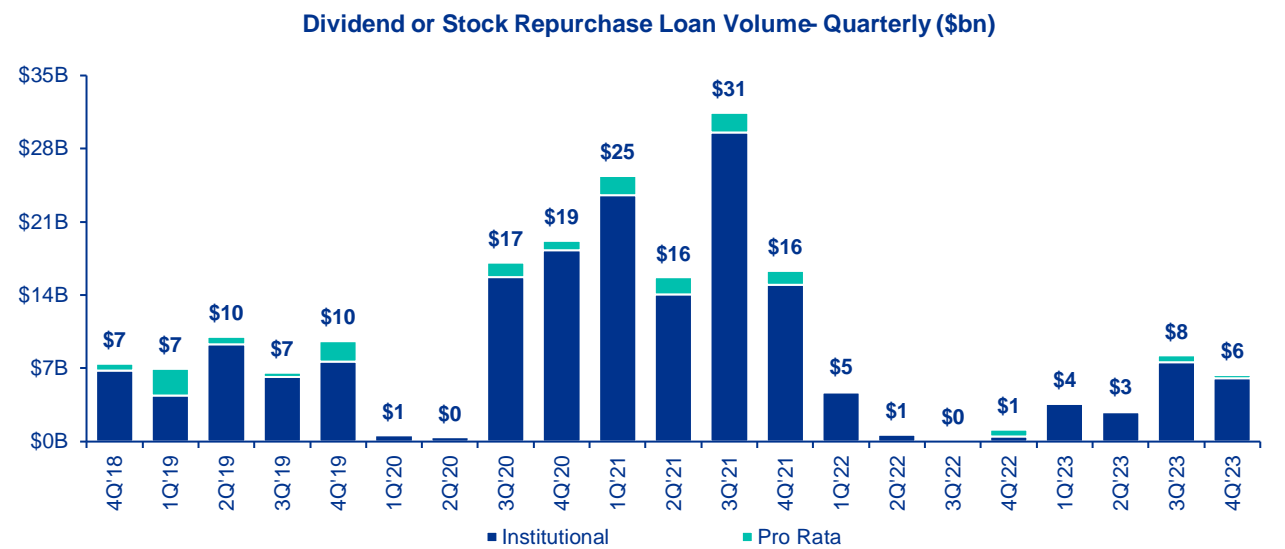


Source: PitchBook | Leveraged Commentary & Data.

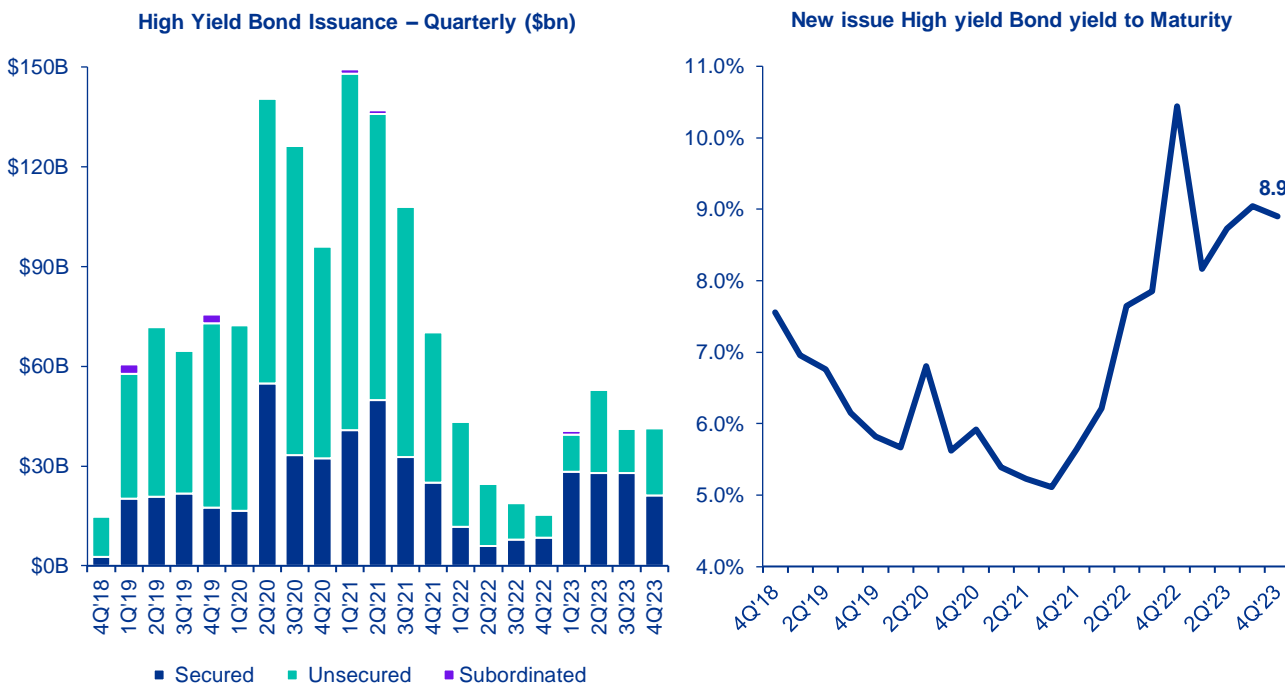


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Dividend Recapitalization



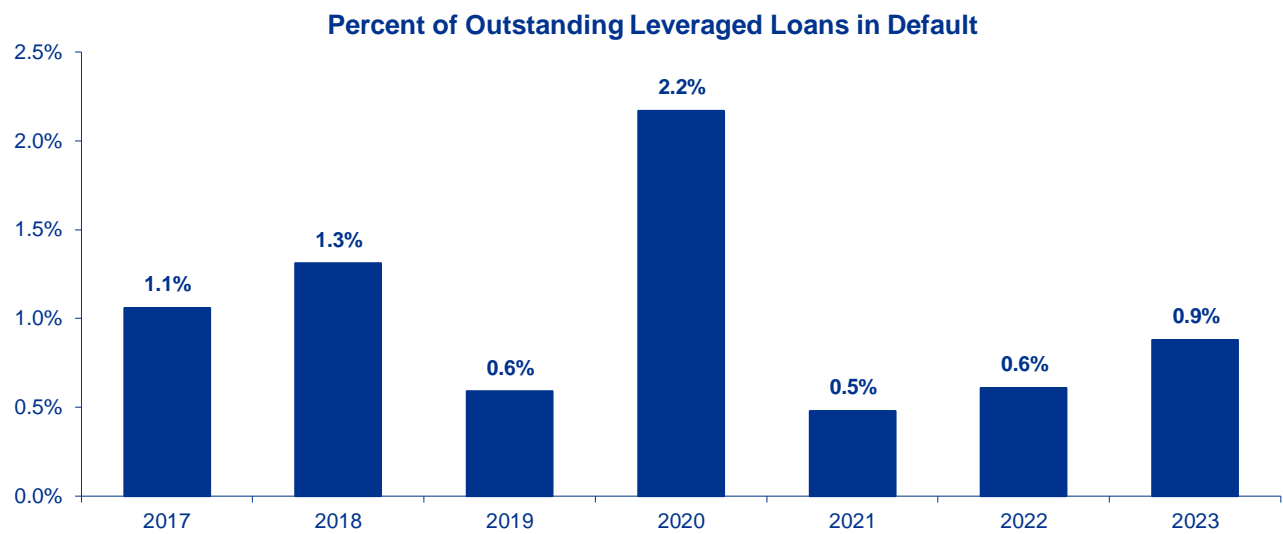
High Yield Bonds



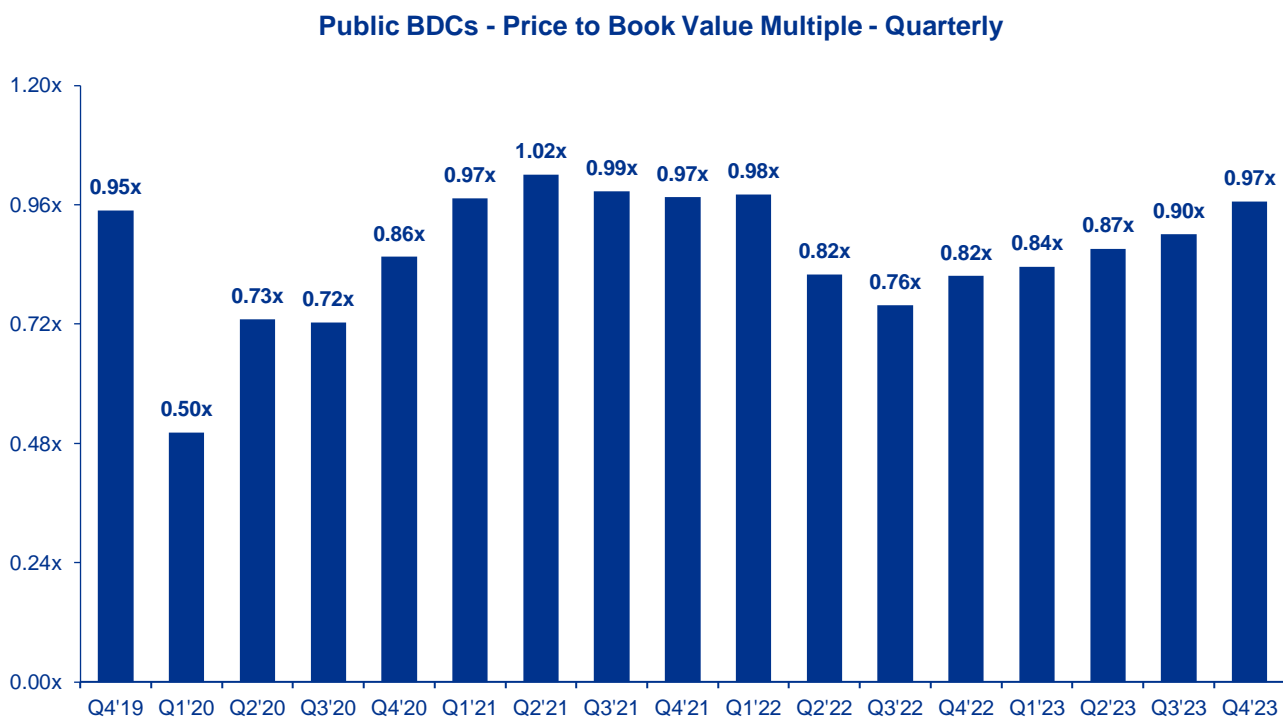
Source: PitchBook | Leveraged Commentary & Data.



Distress and Defaults



Price to Book Value



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



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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

Selected Debt Capital Markets Transactions



Project Tyson

Debt Advisory

Acting as exclusive financial advisor to a sponsor pursuing investments in roofing service provider companies

In Process



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



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

For more information, contact:



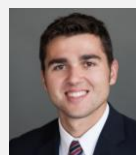
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