



Credit Markets Update

June 30, 2024



Credit Markets Update

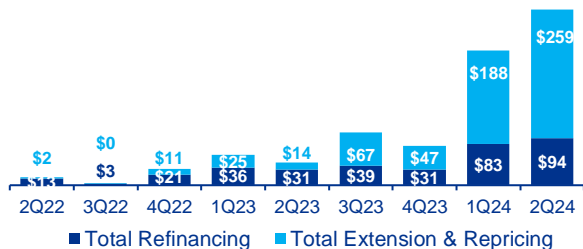
Opportunistic borrowers dominated the market during the second quarter of 2024 as the broadly syndicated market continued its recovery, sending spreads lower

- Second quarter new-issue leveraged loan volume reached \$182.2 billion in 2024, over double the \$79.5 billion in the same period in 2023, approaching the high-volume levels throughout 2021
 - New-issue loan volume driven by: (i) refinancing activity as a result of lower spreads driven by the continuing recovery in the broadly syndicated loan market coupled with (ii) the rise of loan issuance backing private equity dividend recapitalizations
- Refinancing activity continued to be the main driver of volume in the second quarter with \$94.3 billion printed, a strong increase from \$31.1 billion during the same period last year
 - Refinancing accounted for 65% of the institutional loan volume
 - Extension and Repricing activity, which is not included in new-issue loan volume statistics, also reached a new high of \$259.3 billion during the quarter
- M&A volumes remains subdued amid elevated cost of debt and held-up sponsor exit activity

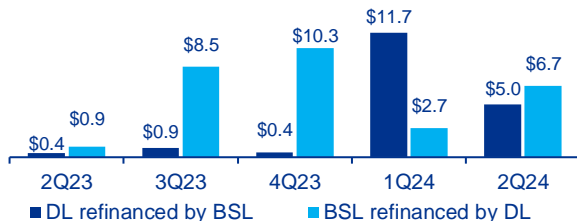
New-Issue Leveraged Loan Volume (\$bn)



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



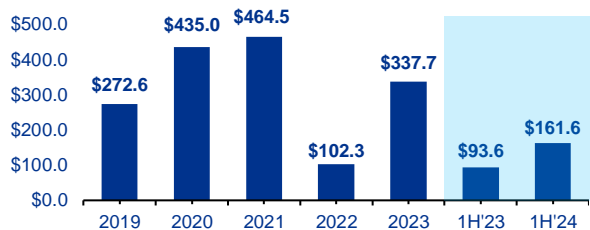
Broadly Syndicated Loans and Direct Lending takeouts (\$B)



High yield volume completed another strong quarter

- Second quarter volume of \$76.4 billion increased from \$53.0 billion during the same period in 2023, marking the 8th straight double-digit monthly total as issuers seek to refinance impending maturities during favorable market conditions
- The average yield at issuance slightly increased during the second quarter at 8.10%, as hawkish Fed rhetoric drove treasury rates up in June

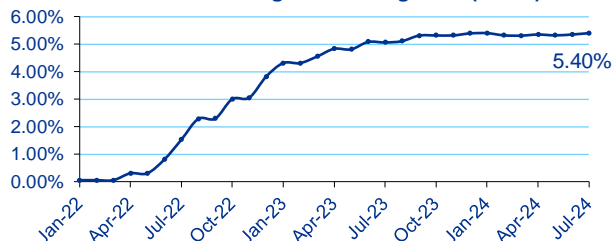
High Yield Volume (\$bn)



The Federal Reserve maintained interest rate levels in June

- The Federal Reserve acknowledges modest progress in inflation, and remains cautious of prematurely reducing rates
- Continued geopolitical uncertainty, the upcoming U.S. election, and inflation data are expected to factor into future policy direction

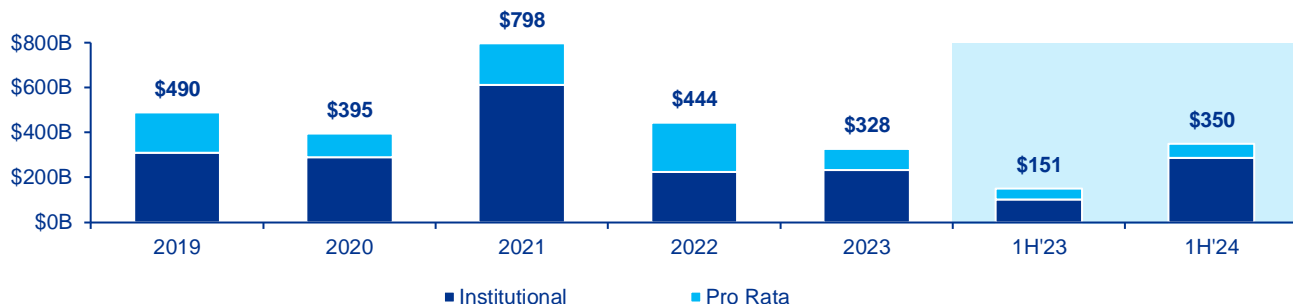
Secured Overnight Financing Rate (SOFR)



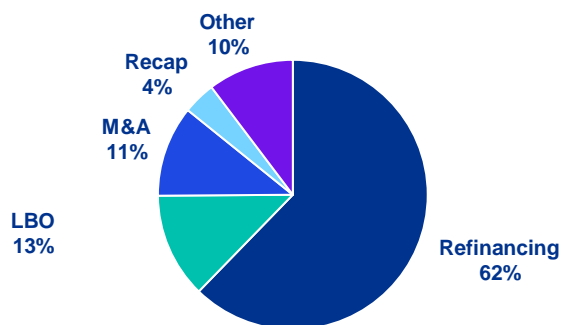
Source: New York Fed; 90-day Term SOFR rate

Leveraged Loans

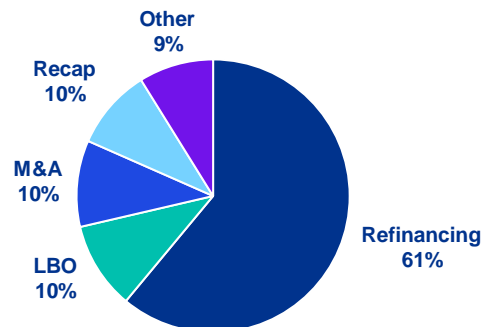
New-Issue Leveraged Loan Volume (\$bn)



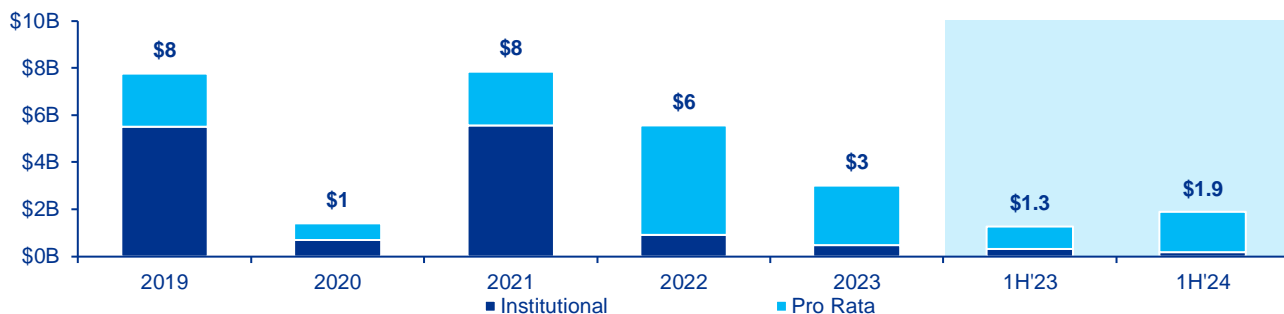
Leveraged Loan Issuance by Purpose - 1H' 23



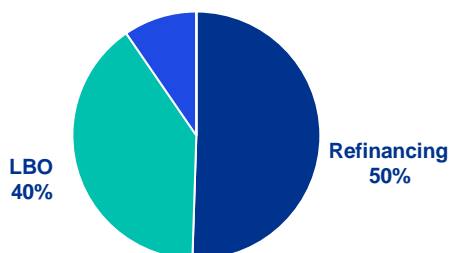
Leveraged Loan Issuance by Purpose - 1H' 24



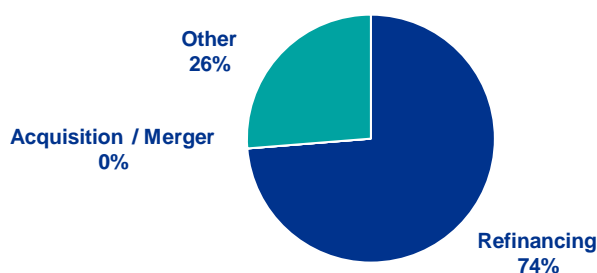
Middle Market Leveraged Loan Volume (\$bn)



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



Middle Market Leveraged Loan Volume by Purpose - 1H'24



Source: PitchBook | Leveraged Commentary & Data.

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



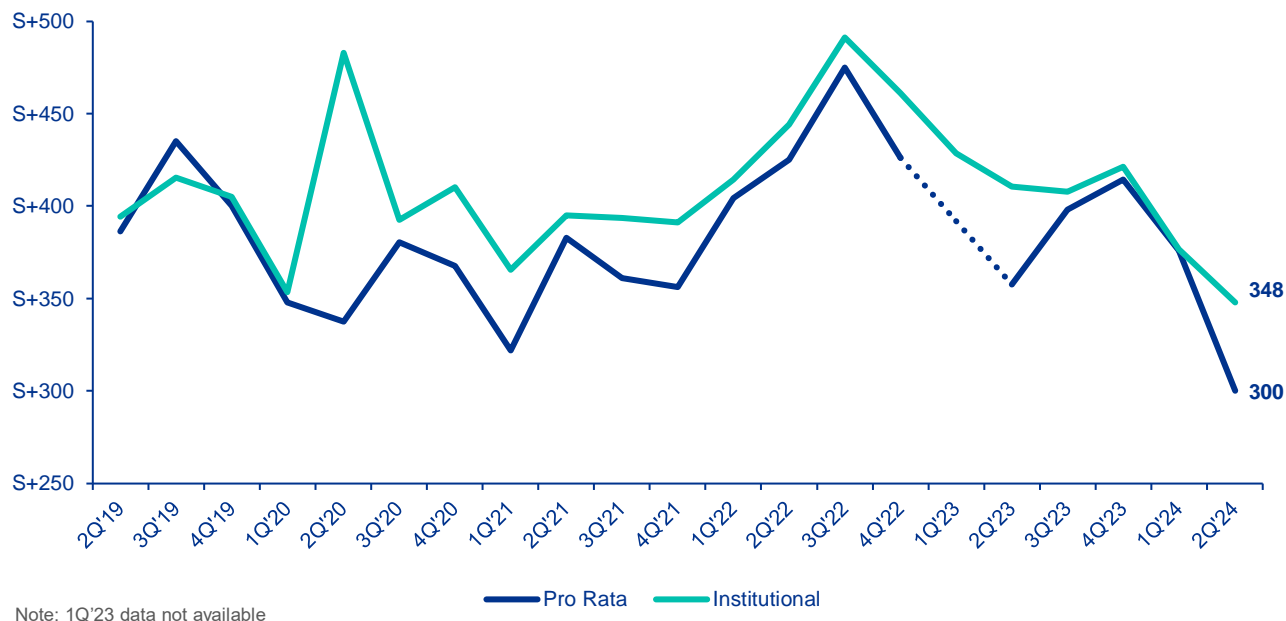
©2024 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance is not engaged in the business of public accountancy. All rights reserved.

Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly

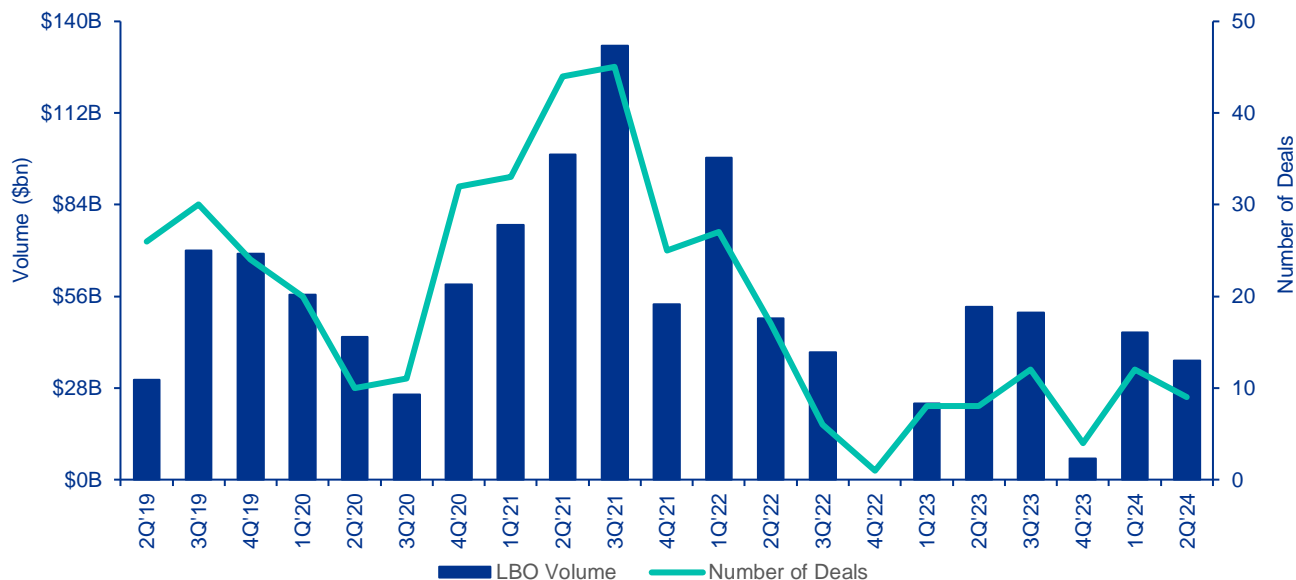


Source: PitchBook | Leveraged Commentary & Data.



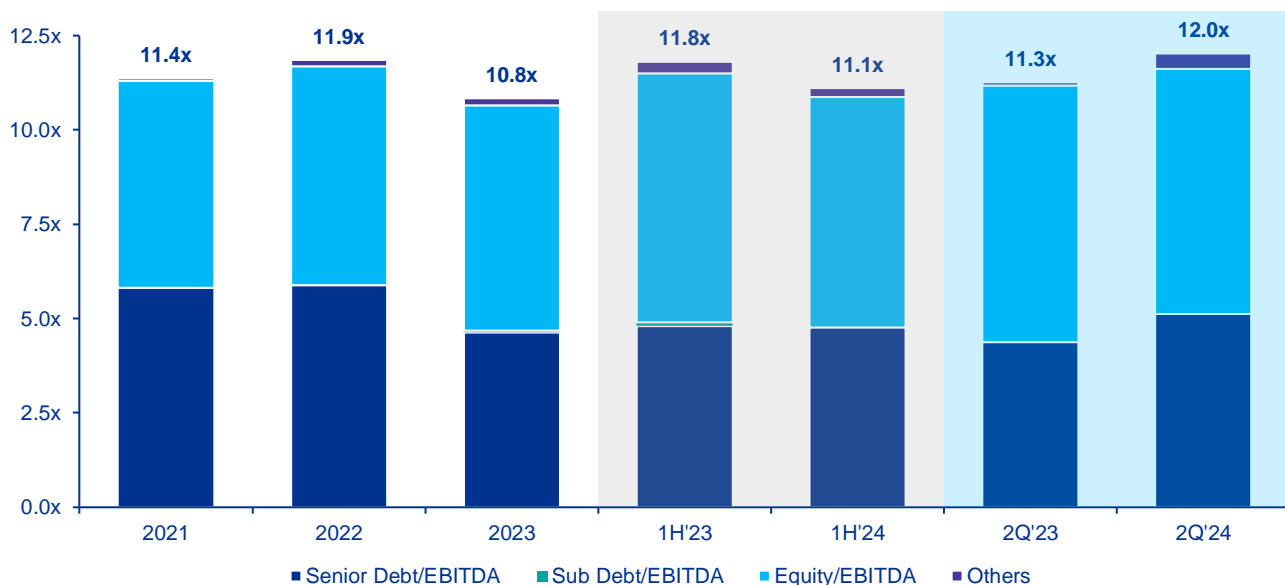
LBO Summary

LBO Transaction Volume - Quarterly (\$bn)



Note: 4Q'22 LBO volume data not available

Average Purchase Price Multiple - All LBOs



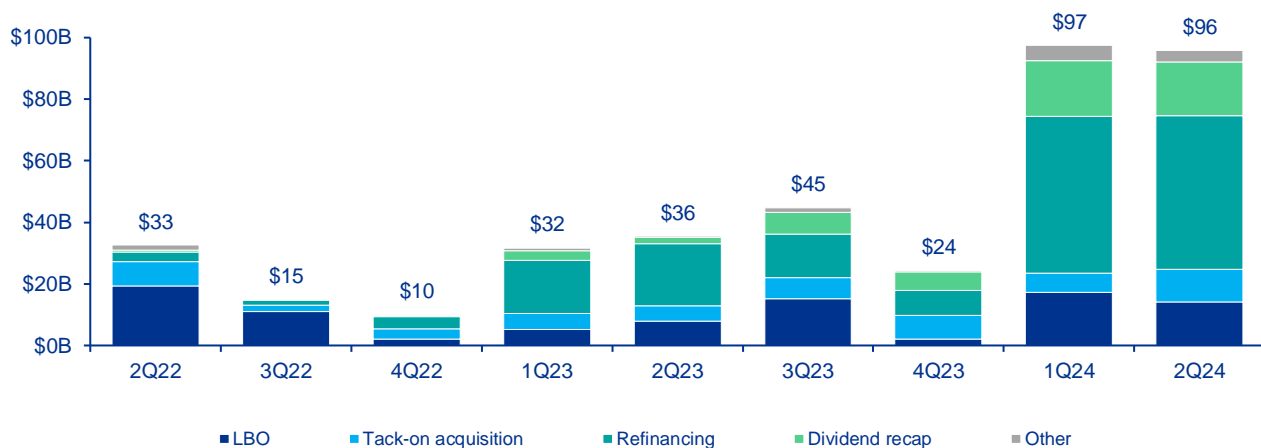
Source: PitchBook | Leveraged Commentary & Data.



©2024 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. KPMG Corporate Finance is not engaged in the business of public accountancy. All rights reserved.

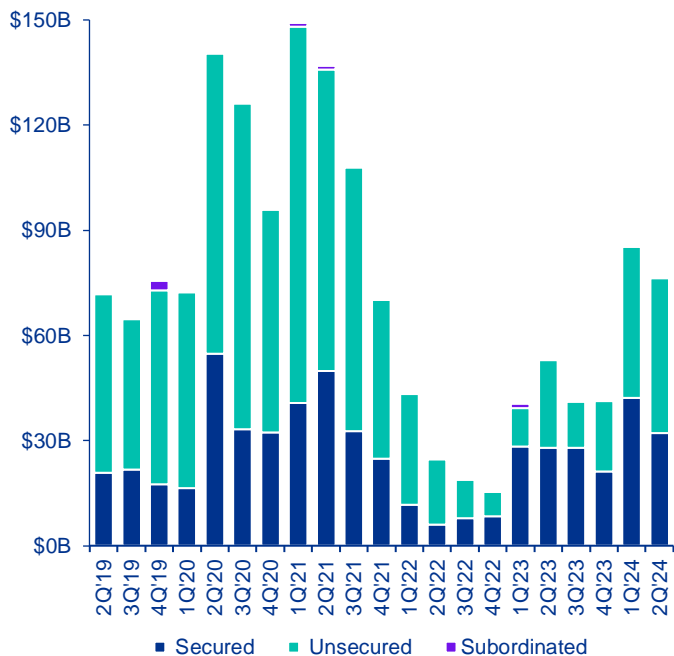
PE-backed Borrowers' Activity

PE-backed Borrowers' Activity - Institutional Loan Volume (\$B)



High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New issue High yield Bond yield to Maturity

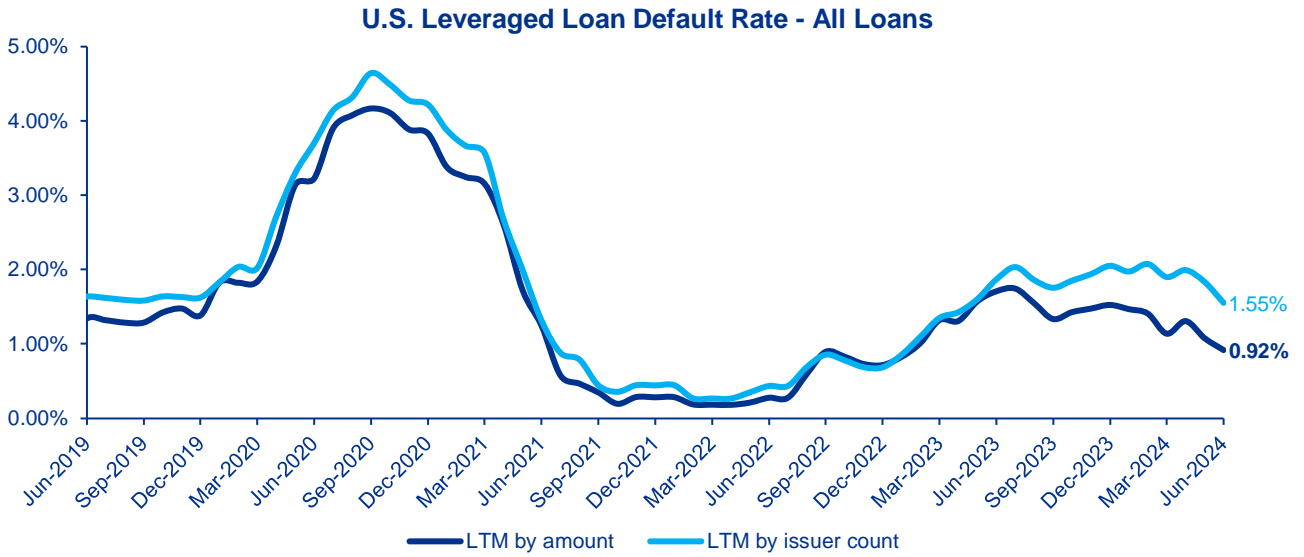


Source: PitchBook | Leveraged Commentary & Data.

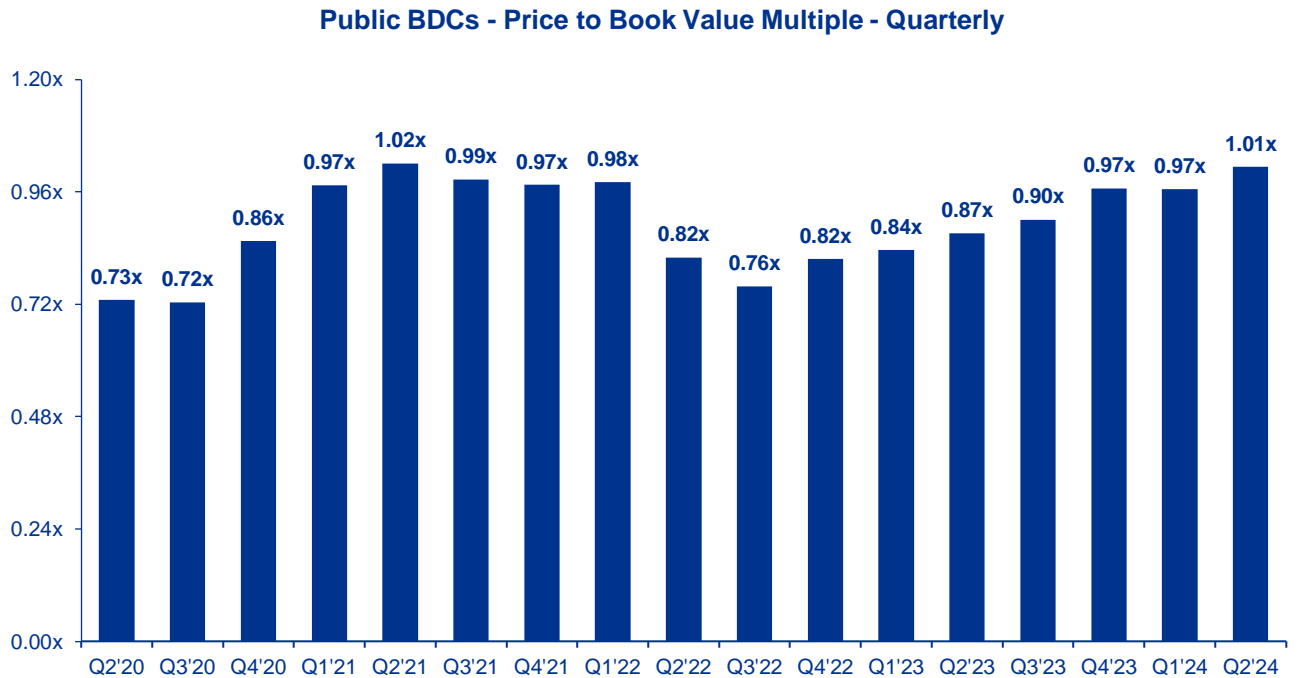


©2024 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance is not engaged in the business of public accountancy. All rights reserved.

Distress and Defaults



Price to Book Value



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



©2024 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. KPMG Corporate Finance is not engaged in the business of public accountancy. 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

Selected Debt Capital Markets Transactions



Project Apple

Debt Advisory

Acting as the exclusive financial advisor to a not-for-profit educational and training Institute in connection with acquisition financing

In Process



Project Tyson

Debt Advisory

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

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

For more information, contact:



Michael Rudolph

Managing Director
312-665-1442
msrudolph@kpmg.com



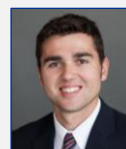
Howard Lanser

Managing Director
312-665-1000
hlanser@kpmg.com



Doug Christensen

Director
312-665-2960
djchristensen@kpmg.com



Rob Caliento

Vice President
212-954-6201
rcaliento@kpmg.com



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

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.



©2024 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. KPMG Corporate Finance is not engaged in the business of public accountancy. 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.