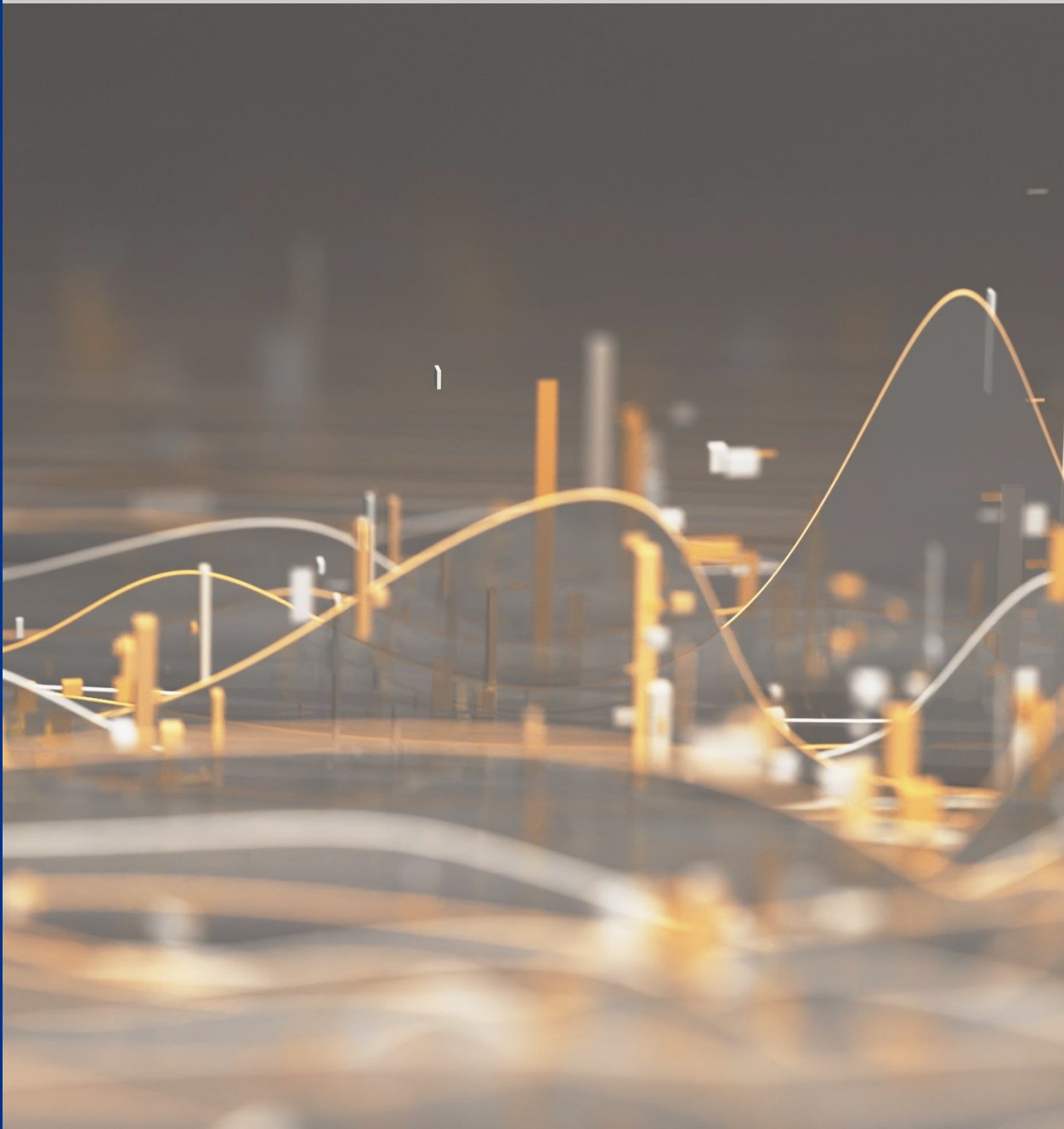




Credit Markets Update

September 30, 2024

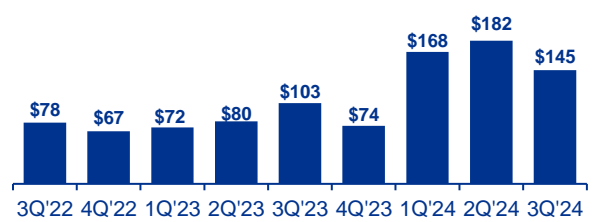


Credit Markets Update

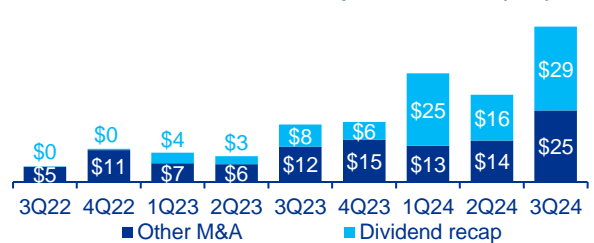
Although leveraged loan market activity slowed in the third quarter, the rate cuts by the Federal Reserve should provide the spark needed to reignite the markets

- Despite coming in as the slowest quarter of 2024, third quarter new-issue leveraged loan volume nonetheless reached \$144.7 billion, a significant increase from \$102.9 billion during the same period in 2023,
 - Improved interest rate visibility produced a much-needed boost in M&A activity, recording \$24.6 billion in the third quarter, the highest quarterly volume since the second quarter in 2022
 - Private equity-backed dividend recaps reached \$25.3 billion in the third quarter, the highest quarterly volume since the fourth quarter in 2021
- Refinancing activity declined during the third quarter with \$29.8 billion printed, down sharply from \$94.8 billion in the second quarter and \$38.7 billion during the same period in 2023
 - Extension and Repricing activity, which is not included in new-issue loan volume statistics, declined to \$112.3 billion in the third quarter, but remains very active compared to 2023 quarterly activity
- An increase in M&A-related volume helped drive the tightening of spreads across the credit spectrum
- Private credit lenders continue to edge out broadly syndicated lenders by capturing a greater share of deals towards the lower end of the credit spectrum

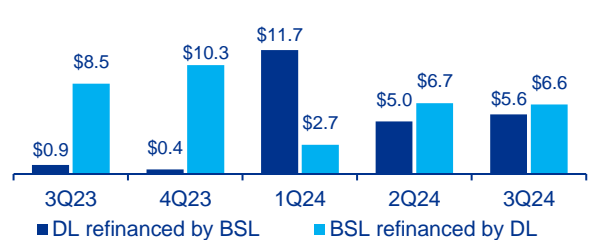
New-Issue Leveraged Loan Volume (\$bn)



M&A and Dividend Recap Loan Volume (\$bn)



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



High yield volume posted another strong quarter after the Fed reduced interest rates

- After a relatively sluggish summer as markets waited for the Federal Reserve interest rate policy decision, third quarter volume of \$73.7 billion rose from \$41.1 billion in 2023, the 11th straight monthly double-digit volume gain
- The quarterly average yield at issuance decreased to 7.62% during the third quarter, the lowest yield since the second quarter in 2022

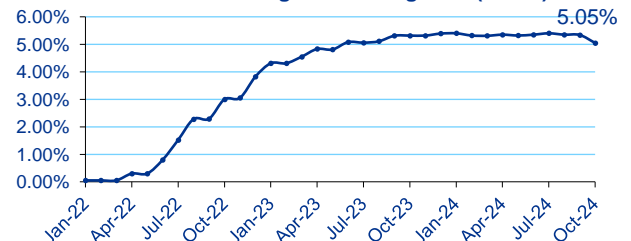
High Yield Volume (\$bn)



The highly anticipated Federal Reserve policy decision resulted in a 50 basis points rate cut in September (and another 25 bps in November)

- At the September 2024 Federal Open Market Committee meeting, the Federal Reserve lowered interest rates by 50 basis points, easing monetary policy for the first time in four years

Secured Overnight Financing Rate (SOFR)



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

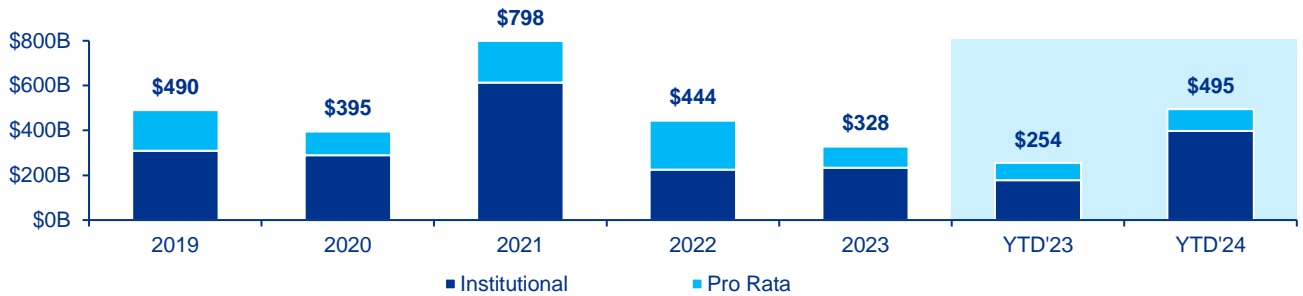
Source: PitchBook | Leveraged Commentary & Data, KPMG Market Research.



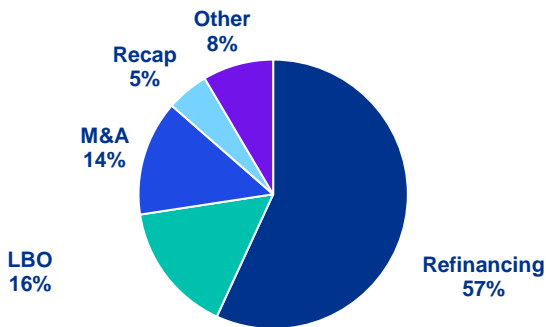
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Leveraged Loans

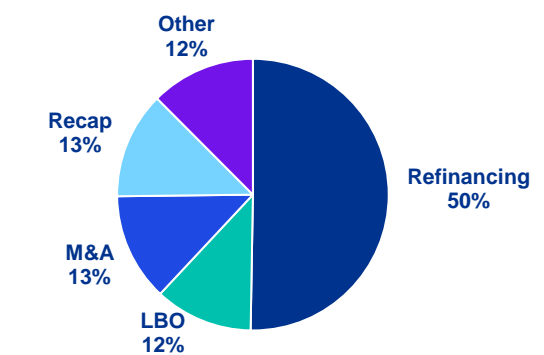
New-Issue Leveraged Loan Volume (\$bn)



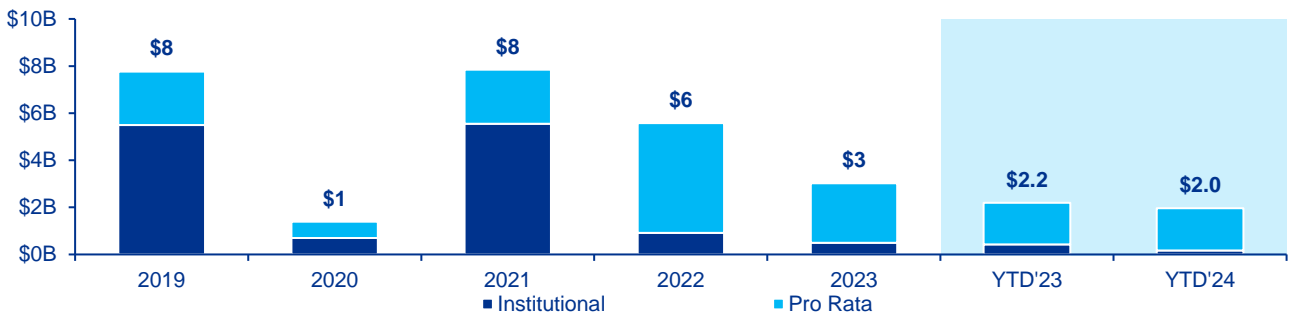
Leveraged Loan Issuance by Purpose - YTD' 23



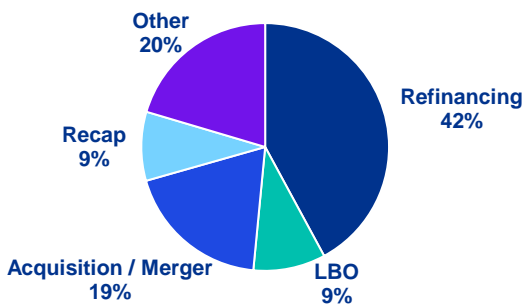
Leveraged Loan Issuance by Purpose - YTD' 24



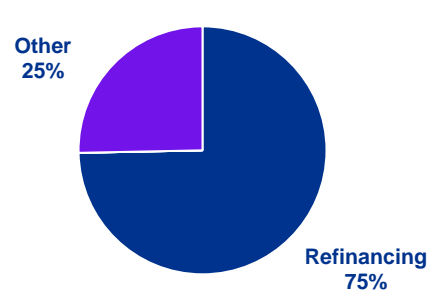
Middle Market Leveraged Loan Volume (\$bn)



Middle Market Leveraged Loan Volume by Purpose - YTD'23



Middle Market Leveraged Loan Volume by Purpose - YTD'24



Source: PitchBook | Leveraged Commentary & Data.

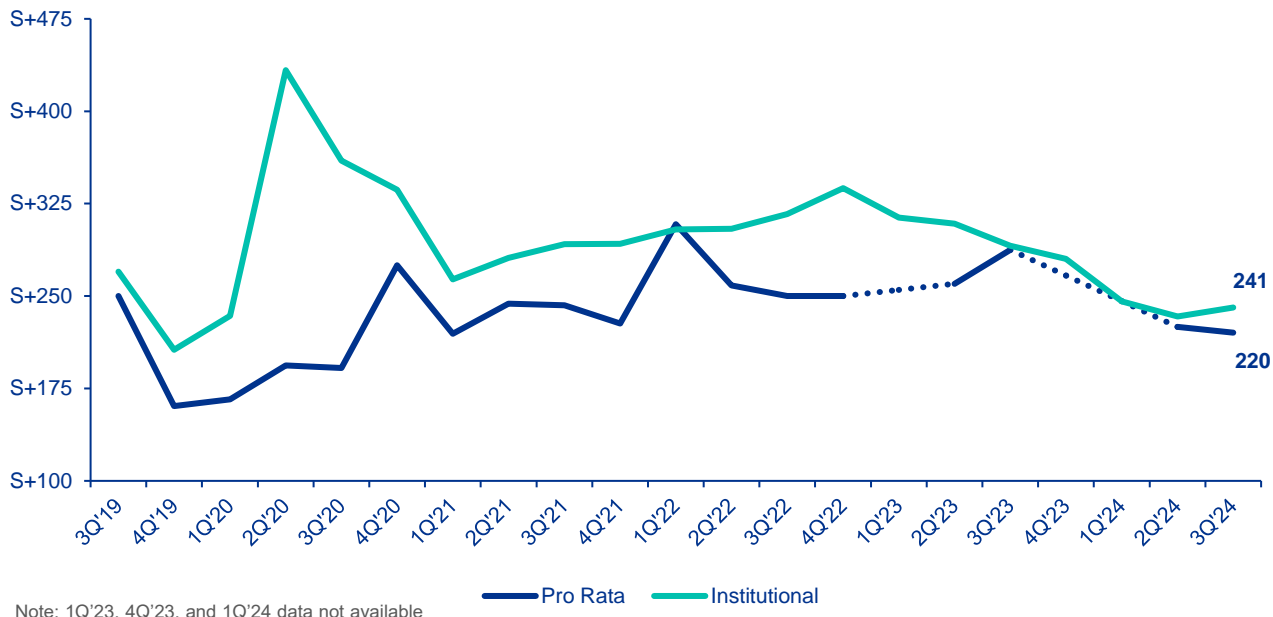
Note: Middle market refers to companies with EBITDA of \$50 million or less.



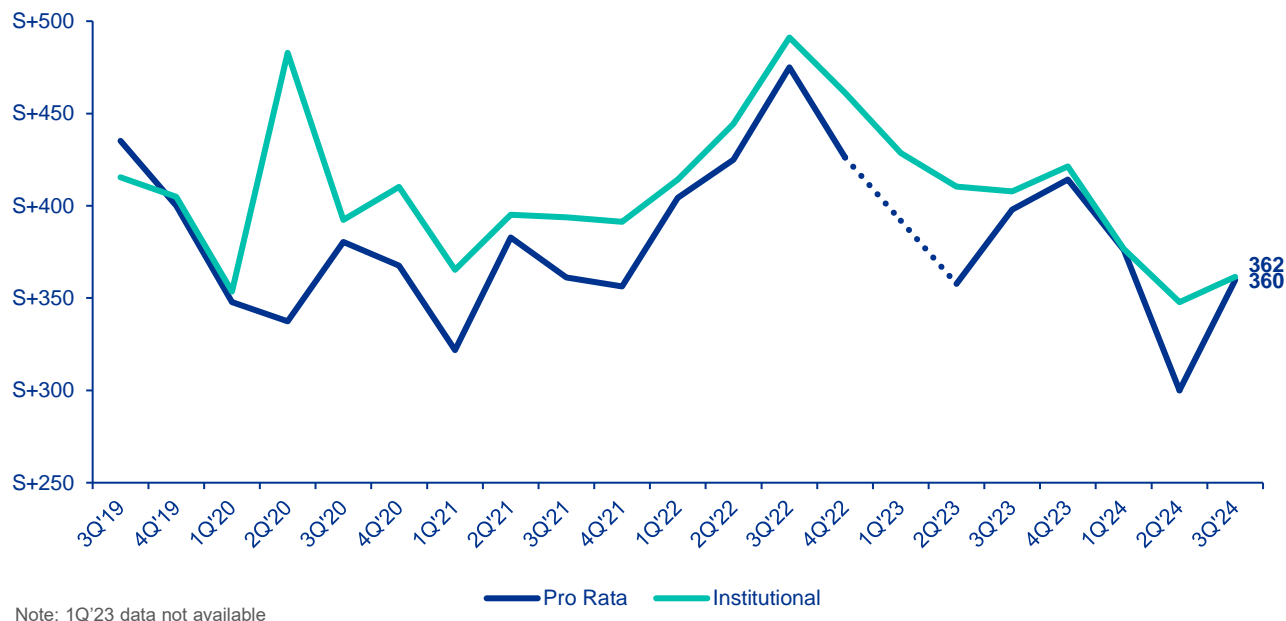
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Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly

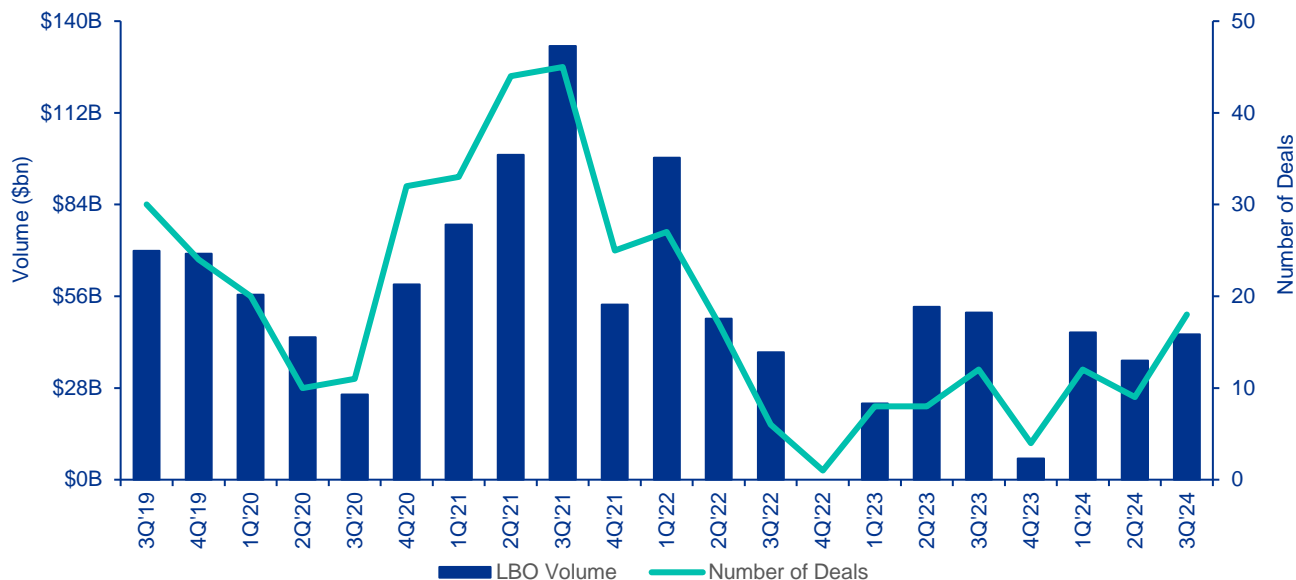


Source: PitchBook | Leveraged Commentary & Data.



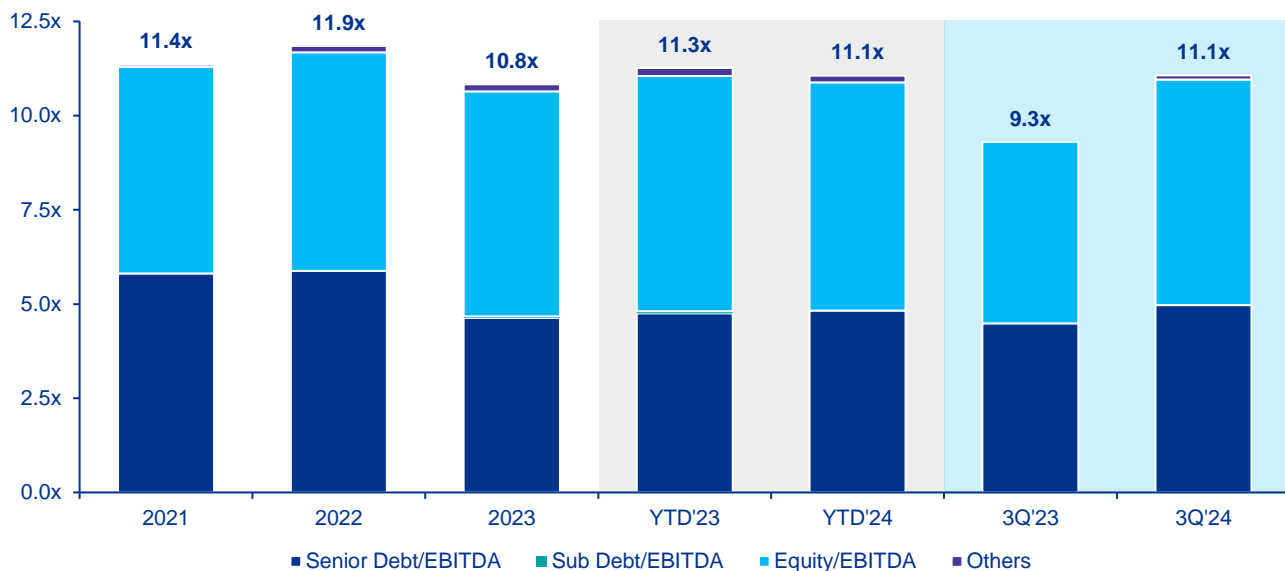
LBO Summary

LBO Transaction Volume - Quarterly (\$bn)



Note: 4Q'22 LBO volume data not available

Average Purchase Price Multiple - All LBOs



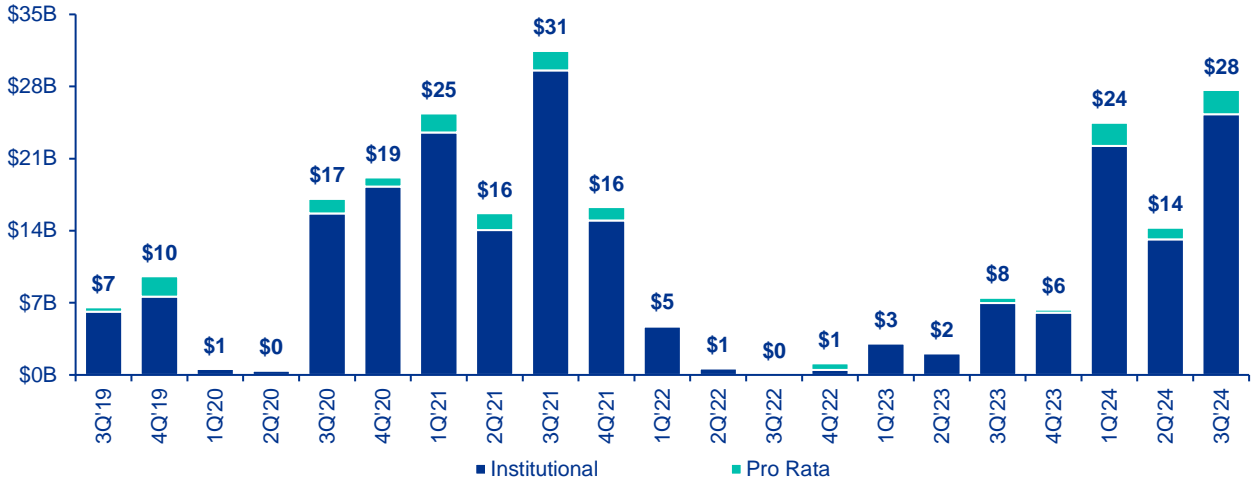
Source: PitchBook | Leveraged Commentary & Data.



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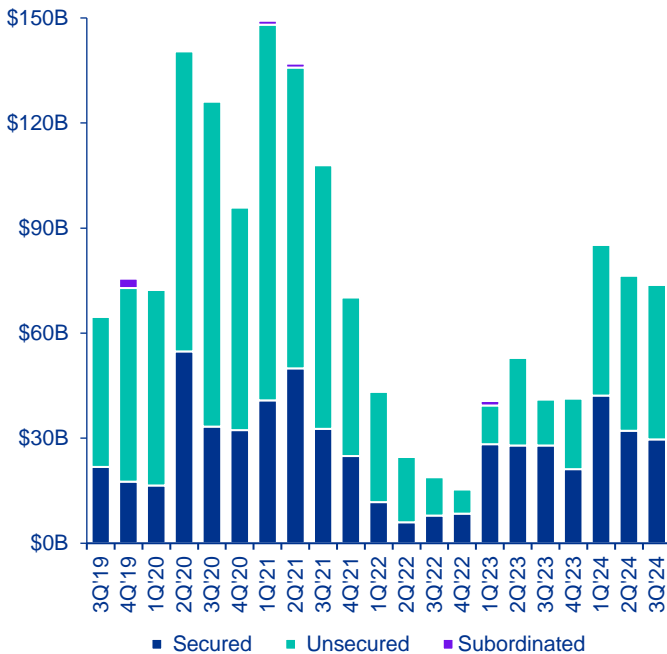
Dividend Recapitalization

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

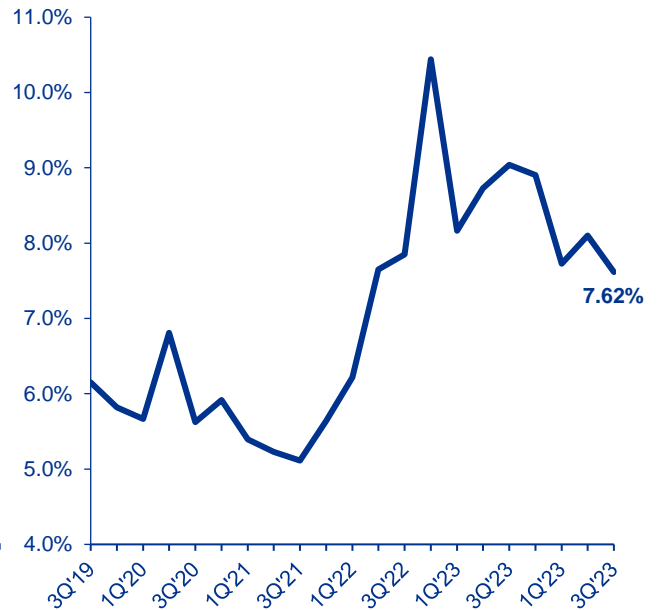


High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New issue High yield Bond yield to Maturity



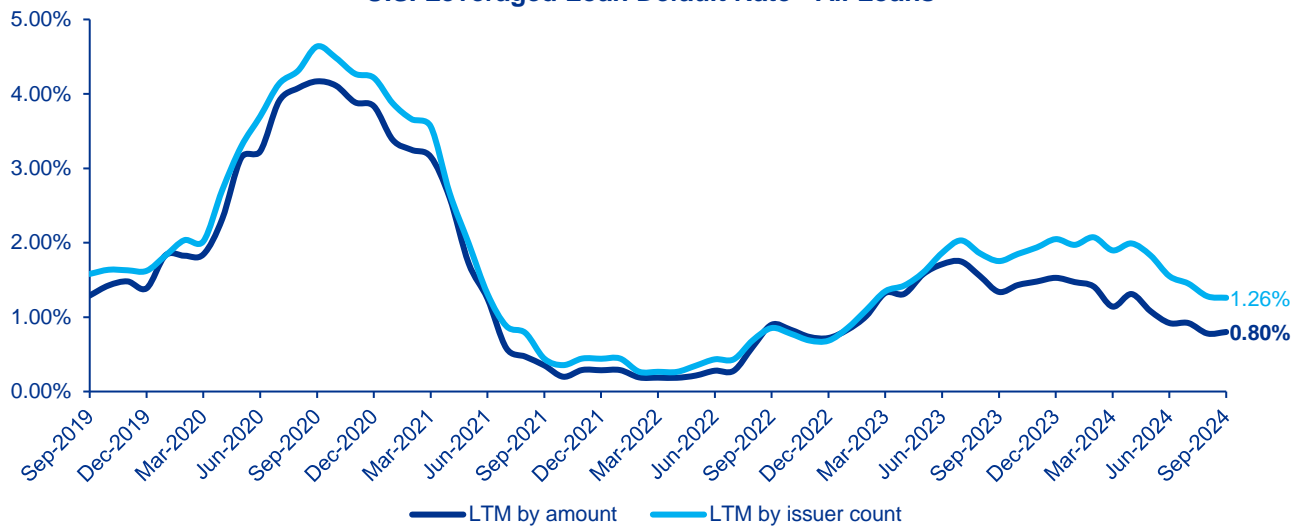
Source: PitchBook | Leveraged Commentary & Data.



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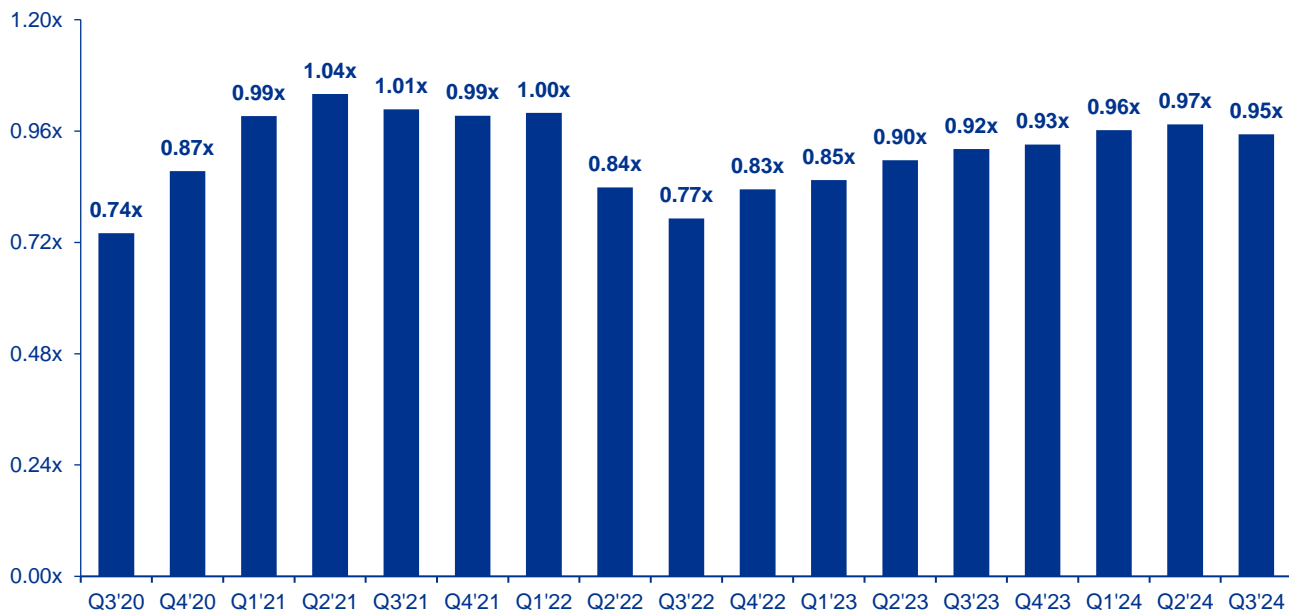
Distress and Defaults

U.S. Leveraged Loan Default Rate - All Loans



Price to Book Value

Public BDCs - Price to Book Value Multiple - Quarterly



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

KPMG

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

KPMG

Project Tyson

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

In Process

KPMG

Project Diamond

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

In Process

KPMG

idw **MAYFAIR**
CAPITAL PARTNERS

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

Not Disclosed

KPMG

FORTEM
HOLDINGS

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

KPMG

NEXTLINK

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

Not Disclosed

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