



Credit markets update

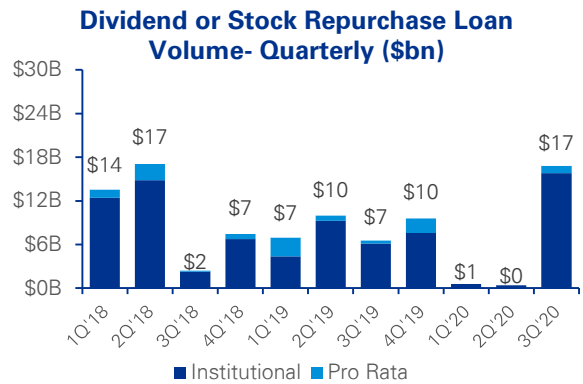
September 30, 2020



Credit Markets Update

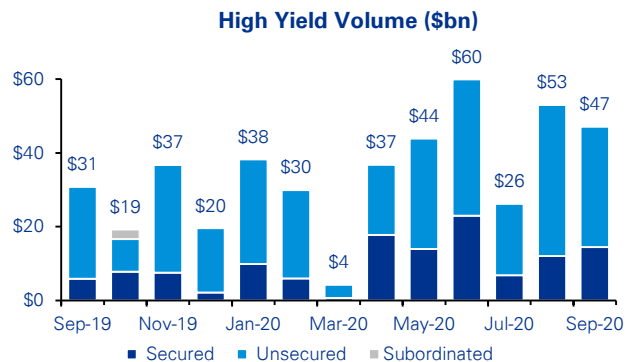
After a sharp contraction in second quarter new issue loan volume, economic activity rebounded in the third quarter, resulting in higher loan volume as borrowers opportunistically tapped the debt market

- New issue loan volume rebounded slightly from \$81 billion in Q2-2020 to \$85 billion in Q3-2020, driven by stabilizing economic conditions and increasing investor demand for yield
- Total issuance, however, remains well below normal levels due to lower loan volume supporting M&A activity. However, September M&A loan volume made a comeback and accounted for 56% of volume in the third quarter
- As acquisition-related financing has declined, opportunistic loan issuance, including refinancing and dividend recaps, has taken up some of the slack
- Loan market distress remains high with the number of issuers in default rising to 41 at the end of September 2020 from 6 a year ago



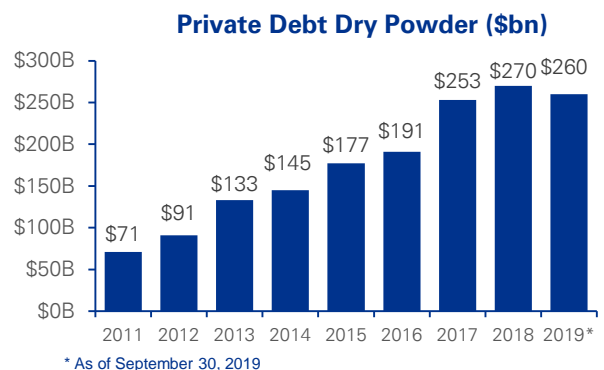
The high-yield market continues to witness strong volume as Federal Reserve policies support credit markets in the wake of the coronavirus pandemic

- Federal Reserve policy has improved market conditions for borrowers to lengthen their debt-maturity profiles at historically low interest rates
- As a result, high-yield issuance year-to-date increased 72.1% to \$339 billion from \$197 billion for the same period last year. Full year issuance is on track to break 2012's high of \$345 billion



Private debt fundraising—in terms of both capital raised and number of funds—is on pace for the lowest levels of the last half decade, totaling \$47.8 billion across 53 vehicles in the first half of 2020

- However, there has been ample capital raised by credit funds in the past few years, and there is a significant amount of dry powder on the sidelines
- There is approximately \$260 billion of dry powder, of which approximately 75% was raised in the past 3 years



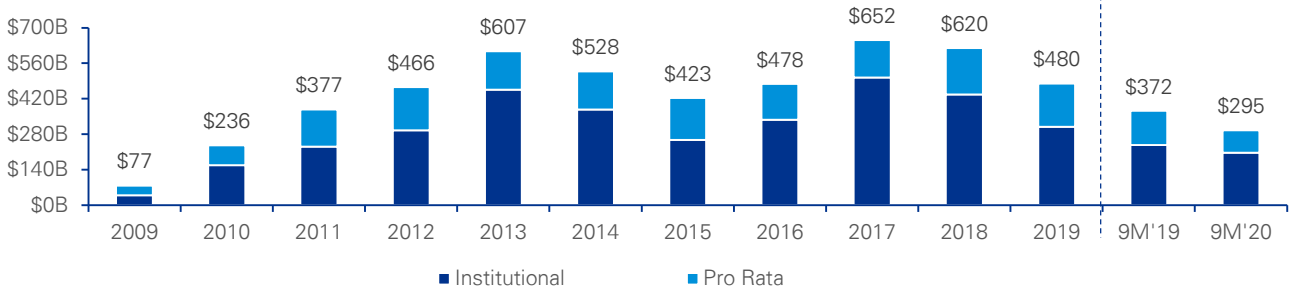
Source: Standard & Poor | Leveraged Commentary & Data; Pitchbook



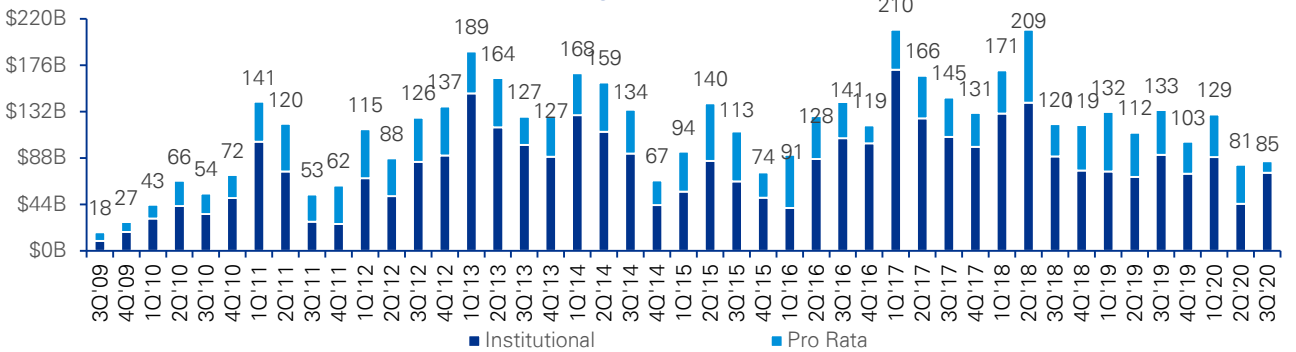
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Leveraged Loans

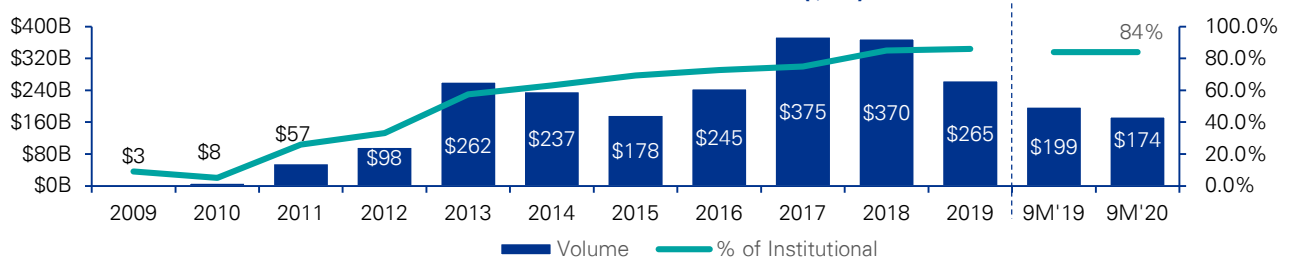
New Issue Leveraged Loan Volume - Annual (\$bn)



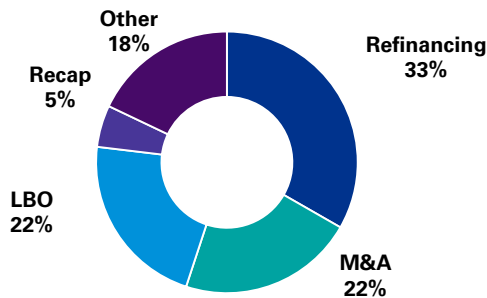
New Issue Leveraged Loan Volume - Quarterly (\$bn)



New-Issue Cov-Lite Loans (\$bn)

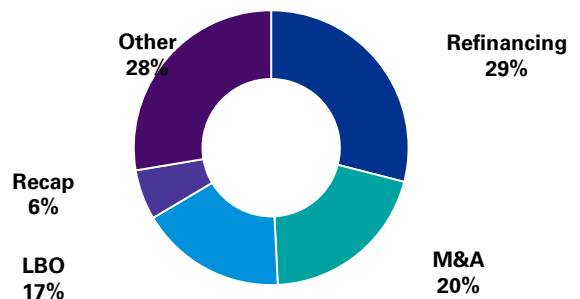


Leveraged Loan Issuance by Purpose - YTD'19



Total Volume: \$372B

Leveraged Loan Issuance by Purpose - YTD'20



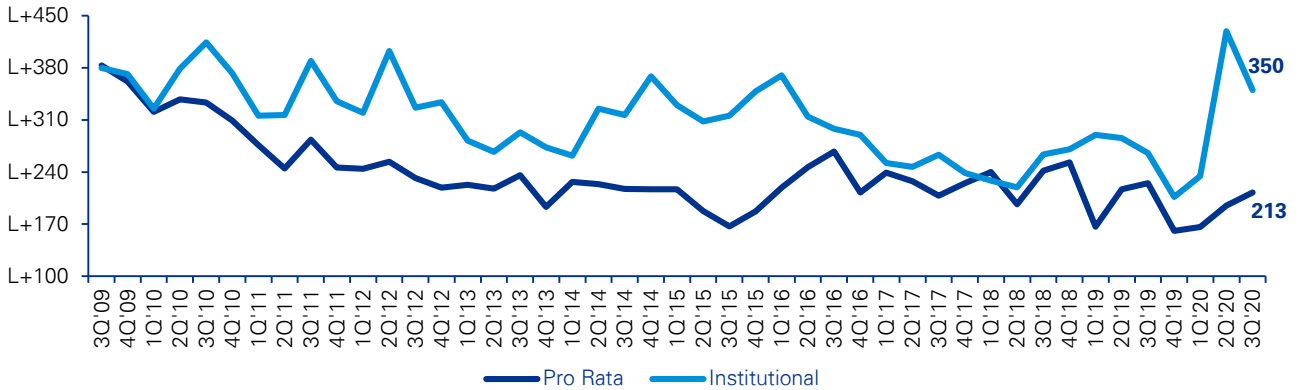
Total Volume: \$295B

Source: Standard & Poor | Leveraged Commentary & Data.

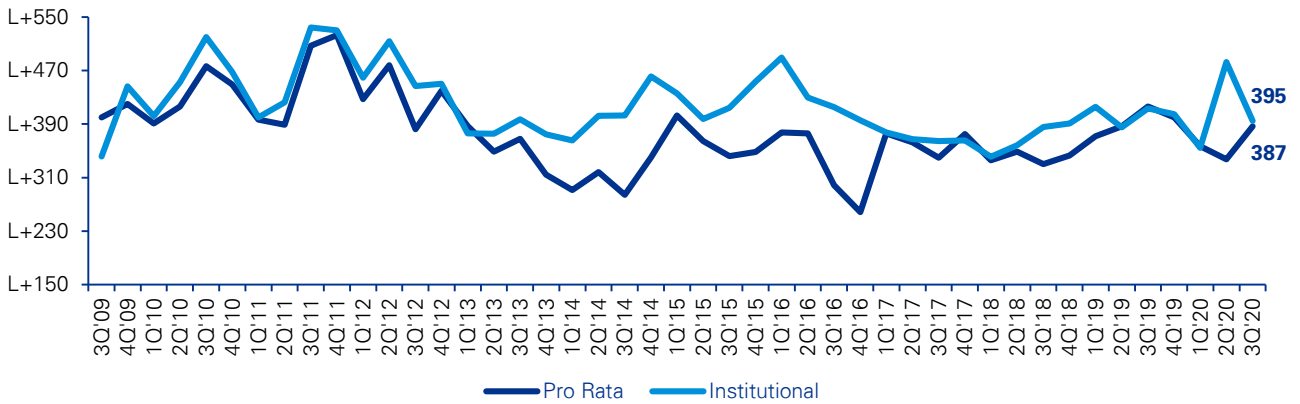


Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly



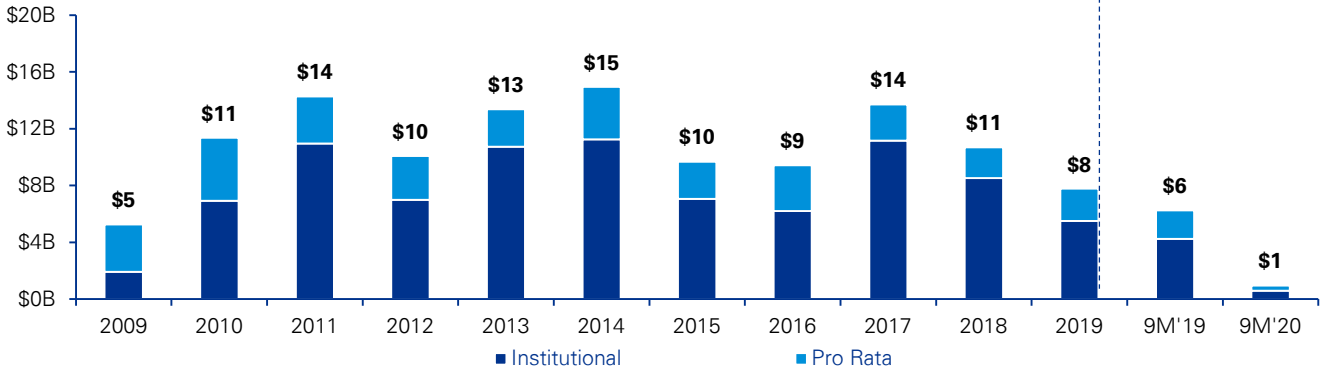
Source: Standard & Poor | Leveraged Commentary & Data.



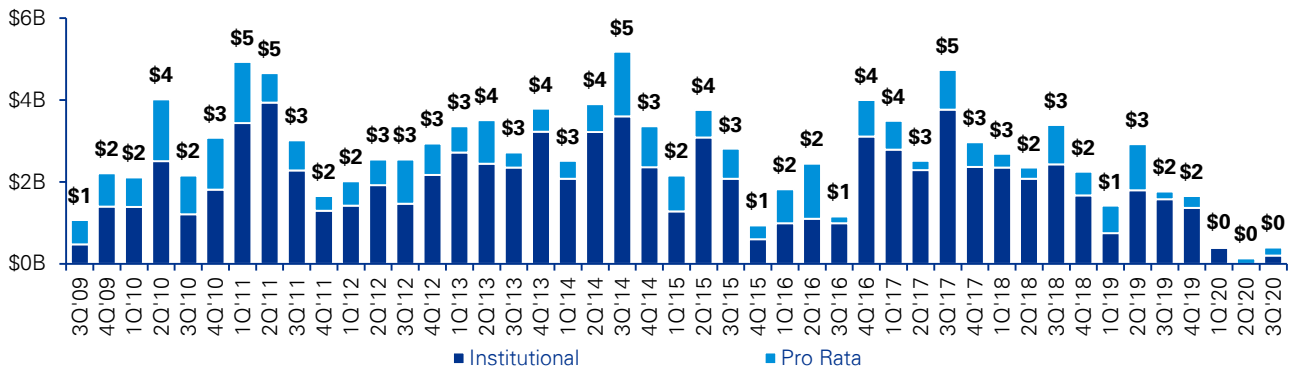
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Leveraged Loans - Middle Market

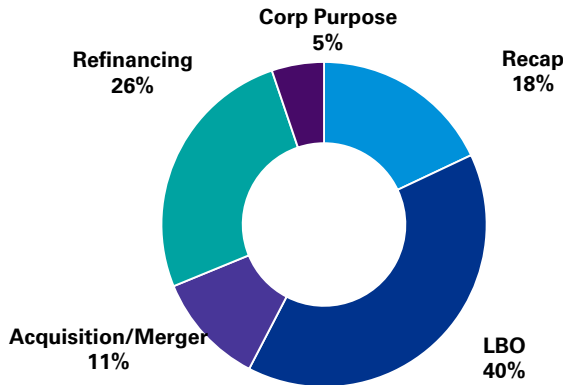
Leveraged Loan Volume- Annual (\$bn)



Leveraged Loan Volume- Quarterly (\$bn)

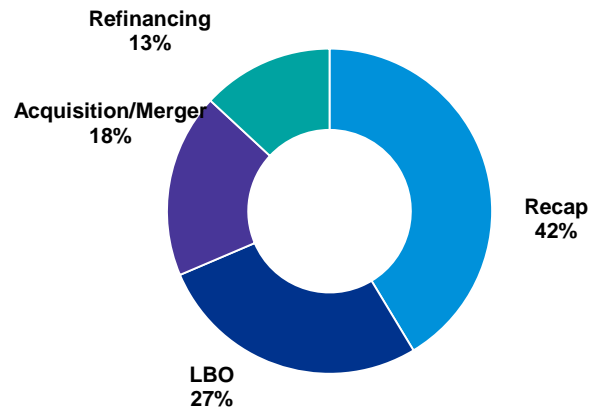


Total New-Issue Volume by Purpose - 9M'19



Total Volume: \$6B

Total New-Issue Volume by Purpose - 9M'20



Total Volume: \$0.6B

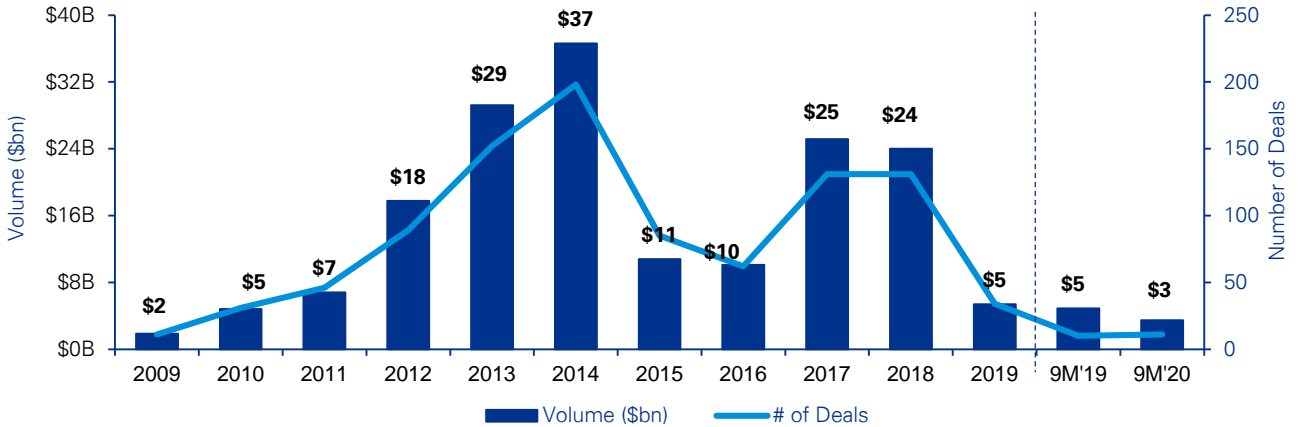
Source: Standard & Poor | Leveraged Commentary & Data.

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

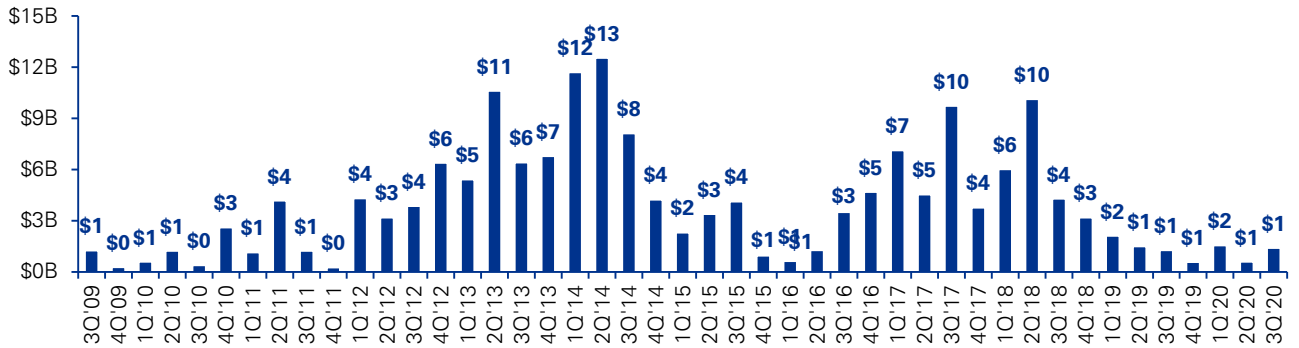


Second-Lien Loans

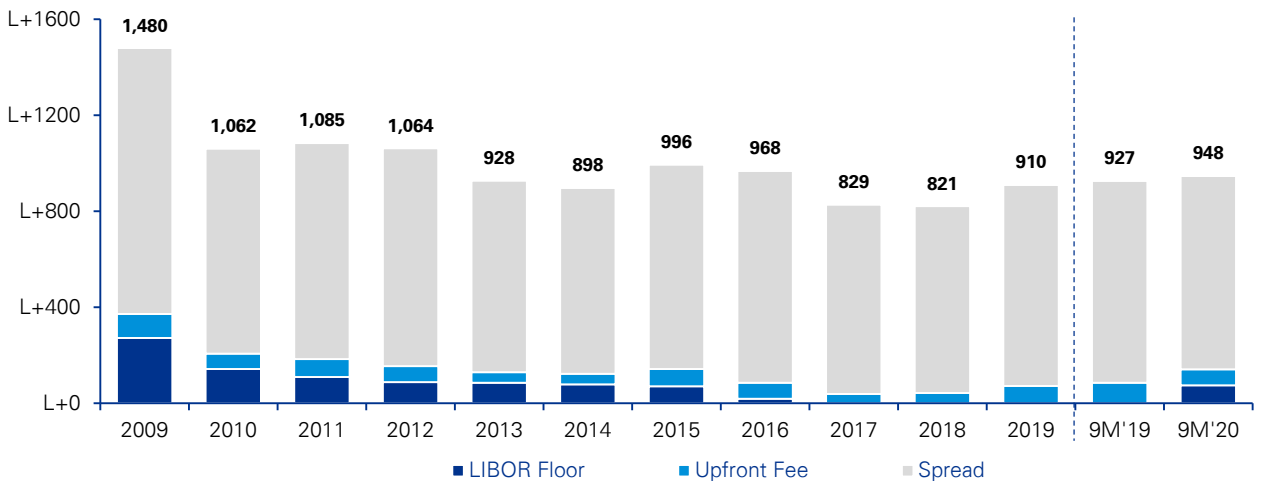
Second-Lien Loan New-Issue Volume - Annual (\$bn)



Second Lien Loan New-Issue Volume - Quarterly (\$bn)



Average New Issue Second-Lien Spreads



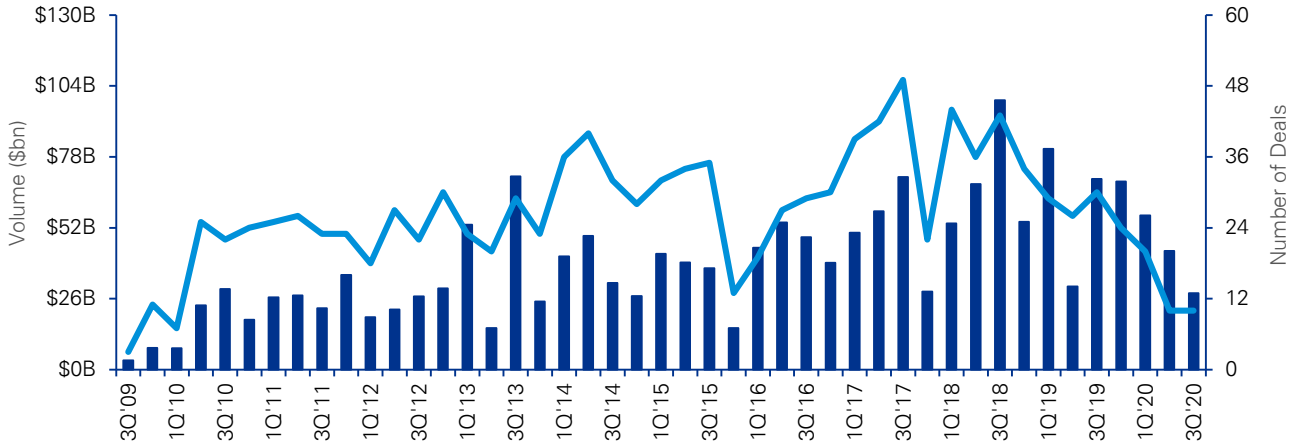
Source: Standard & Poor | Leveraged Commentary & Data.



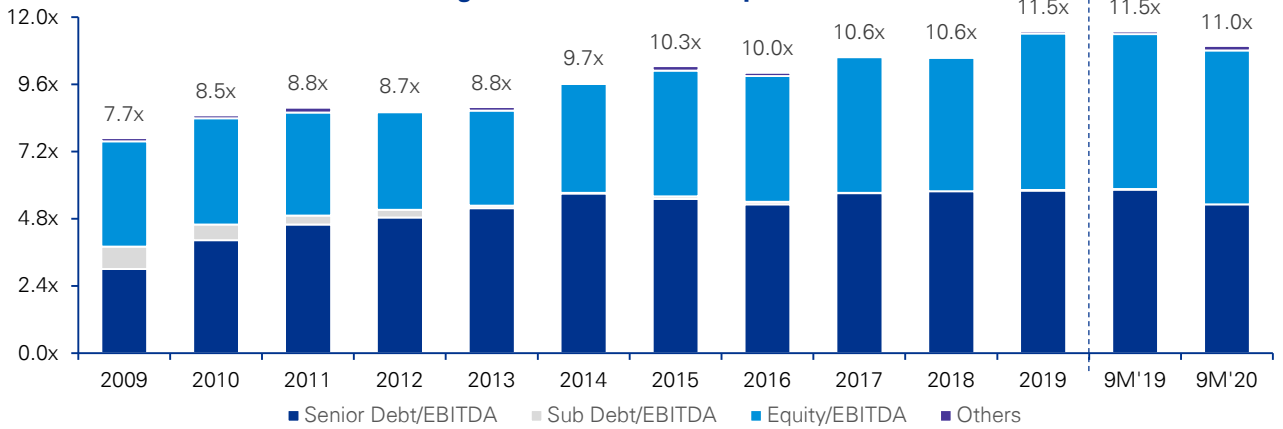
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LBO Summary

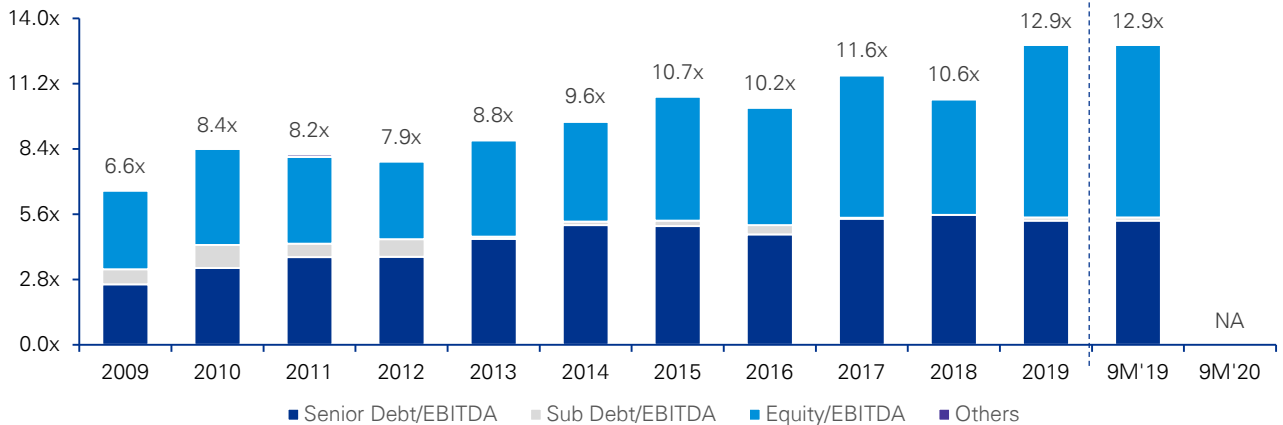
LBO Transaction Volume - Quarterly (\$bn)



Average Purchase Price Multiple - All LBOs



Average Purchase Price Multiple - Middle Market LBOs(1)



Source: Standard & Poor | Leveraged Commentary & Data.

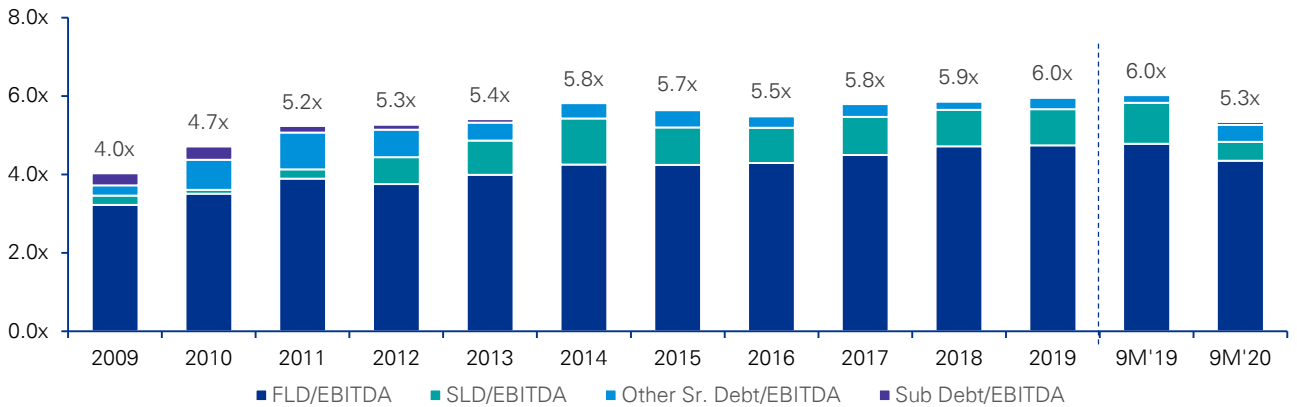
(1) Middle market refers to companies with EBITDA of \$50 million or less.



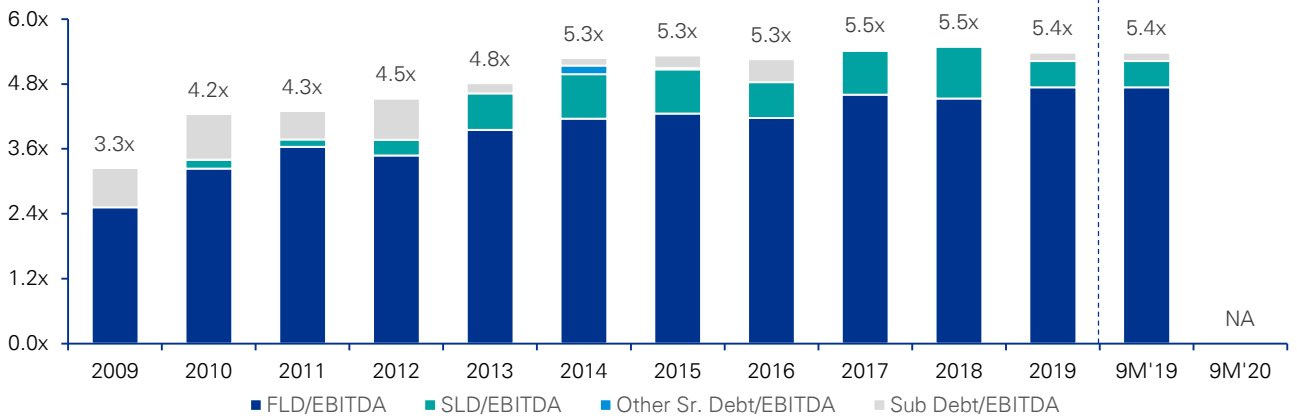
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LBO Summary (continued)

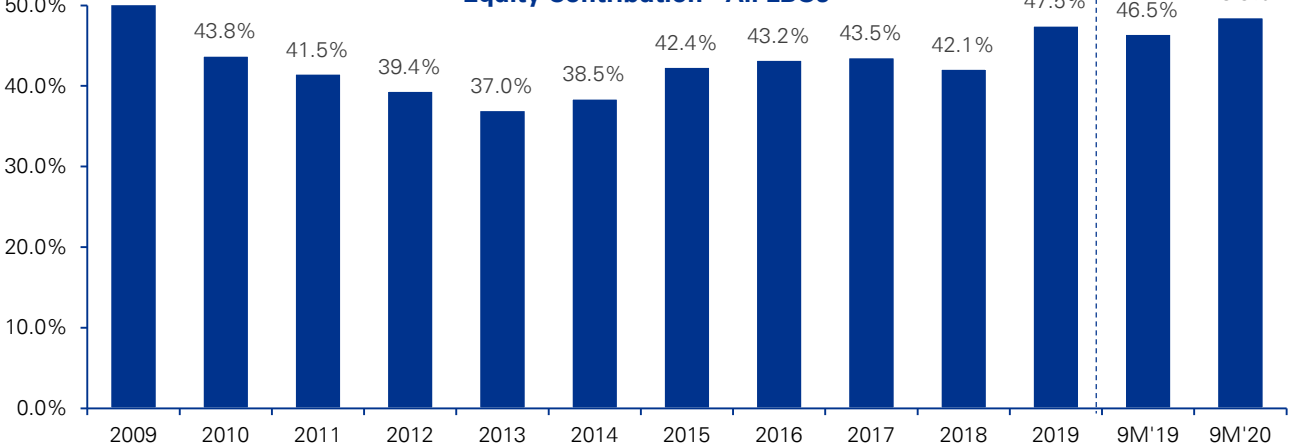
Average Debt Multiples of Large Corporate LBO Loans(1)



Average Debt Multiples of Middle-Market LBO Loans(2)



Equity Contribution - All LBOs



Source: Standard & Poor | Leveraged Commentary & Data.

(1) Large corporate refers to companies with EBITDA of more than \$50 million.

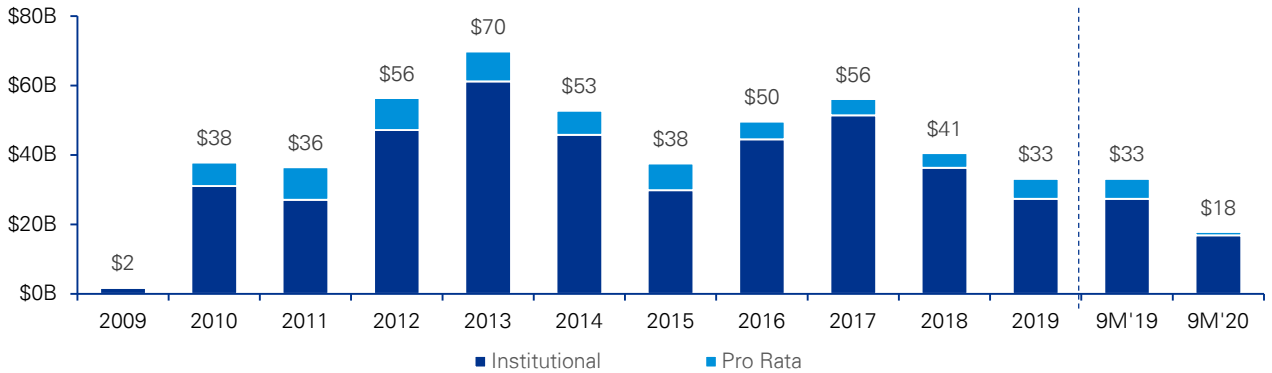
(2) Middle market refers to companies with EBITDA of \$50 million or less.

(3) LTM 2Q'20 average debt multiple of middle-market LBO loans.

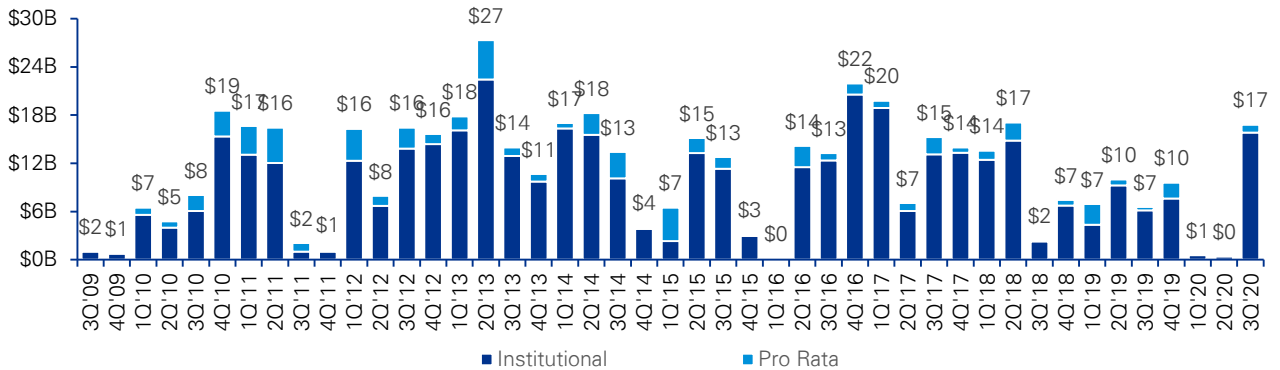


Dividend Recapitalization

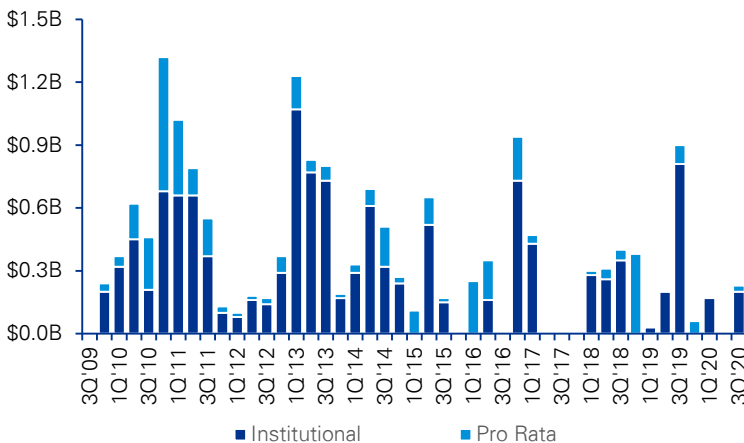
Dividend or Stock Repurchase Loan Volume- Annual (\$bn)



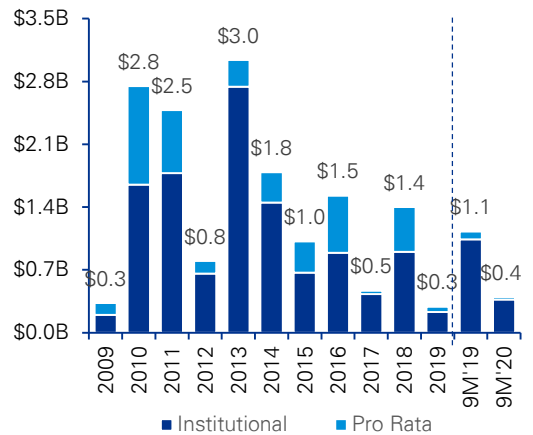
Dividend or Stock Repurchase Loan Volume- Quarterly (\$bn)



Middle-Market Dividend Related Volume- Quarterly (\$bn)



Middle-Market Dividend Related Volume- Annual (\$bn)



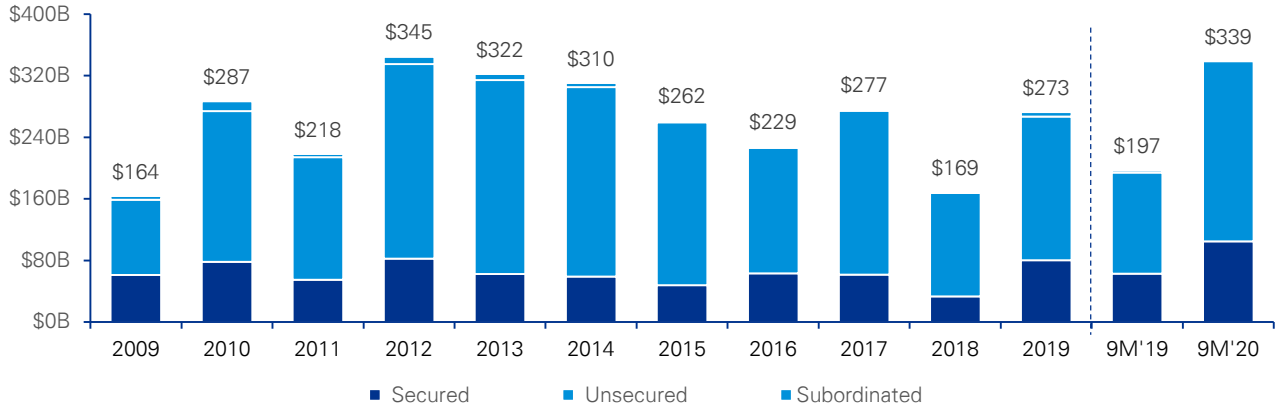
Source: Standard & Poor | Leveraged Commentary & Data.



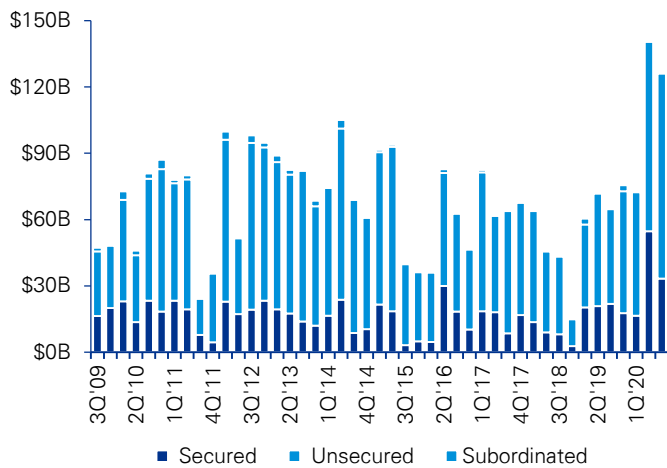
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High Yield Bonds

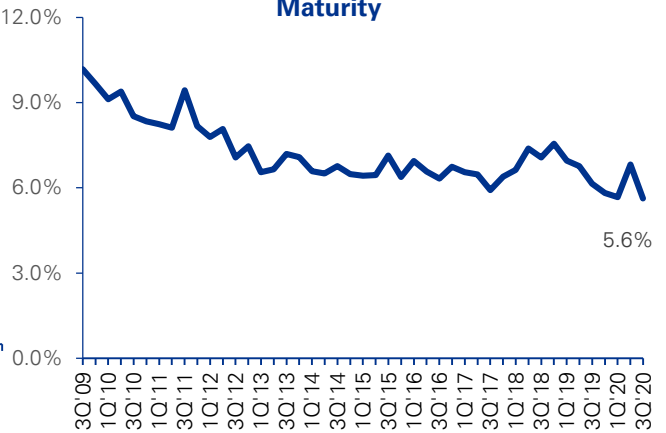
High Yield Bond Issuance – Annual (\$bn)



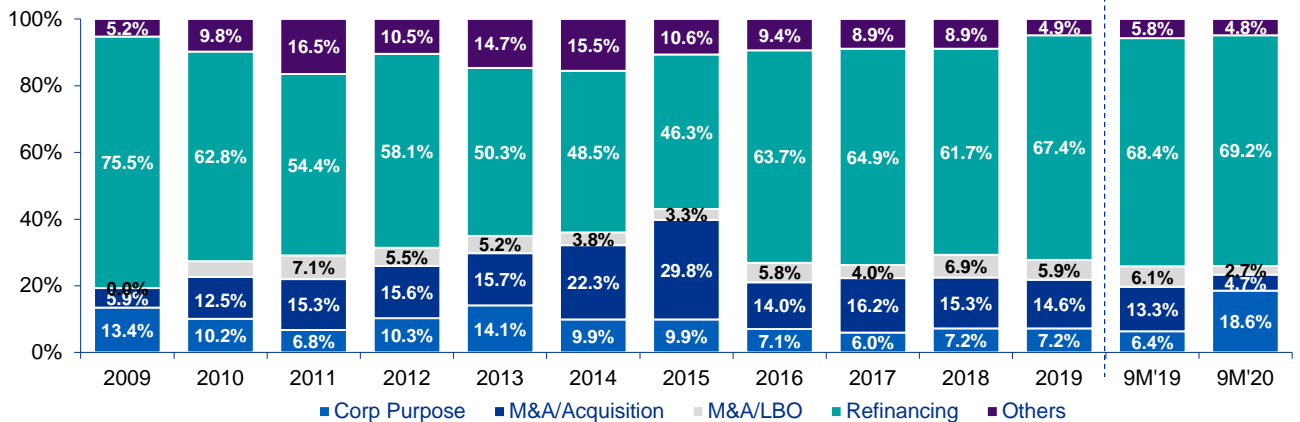
High Yield Bond Issuance – Quarterly (\$bn)



New issue High yield Bond yield to Maturity



High Yield Bond Issuance by Purpose



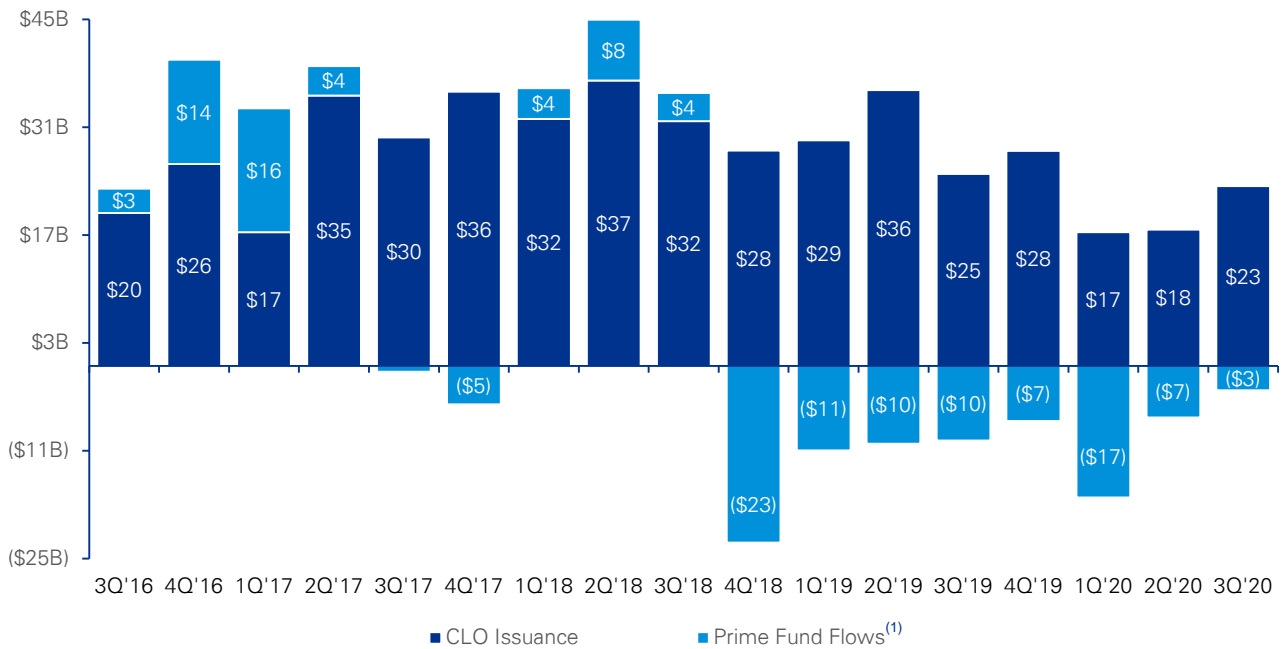
Source: Standard & Poor | Leveraged Commentary & Data.



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Funds Flows

Flows into Leveraged Loan Funds - Quarterly (\$bn)



Annual CLO Volume (\$bn)



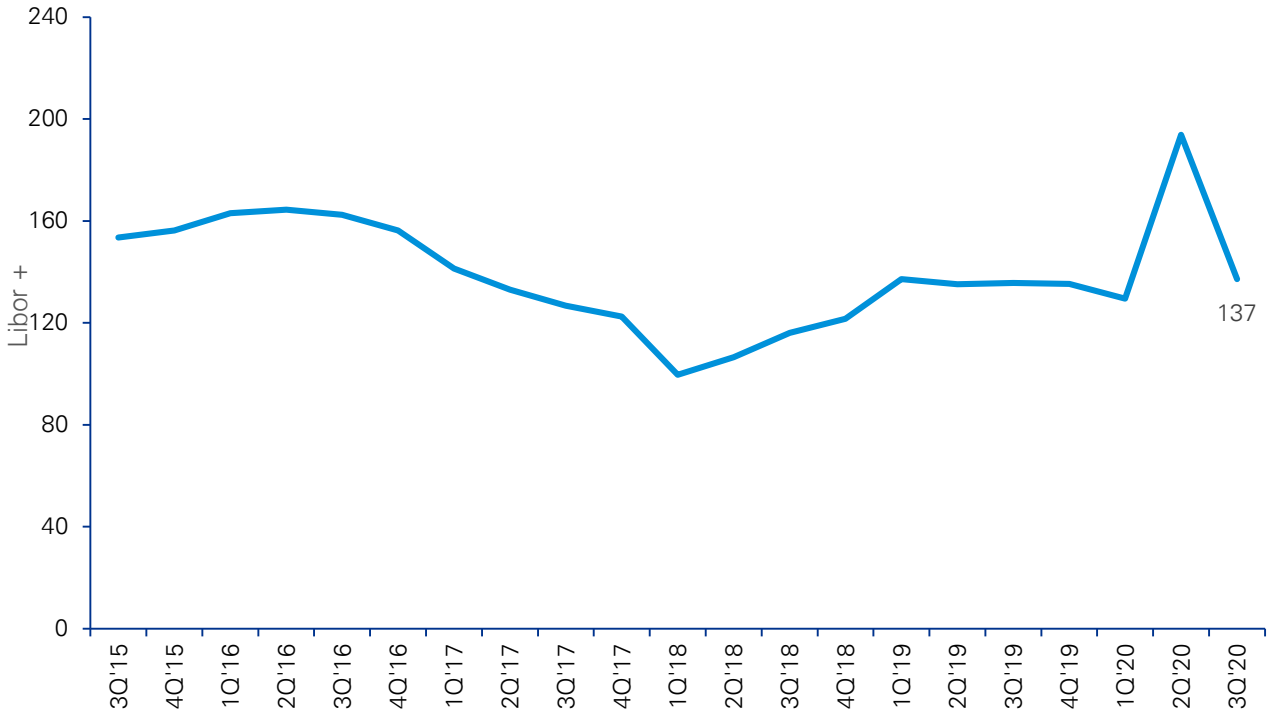
Source: Standard & Poor | Leveraged Commentary & Data.

⁽¹⁾ Prime Funds Flows represent funds flows from loan participation mutual funds.

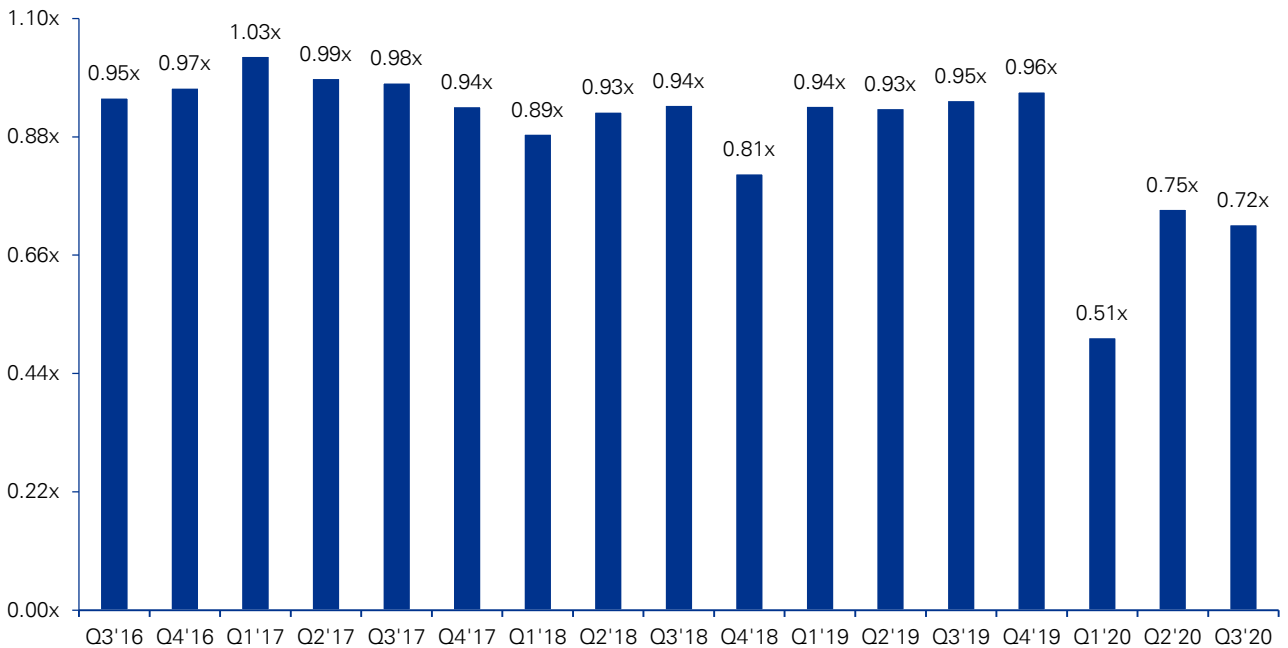


Funds Flows (continued)

U.S. CLO Spreads



Public BDCs - Price to Book Value Multiple - Quarterly

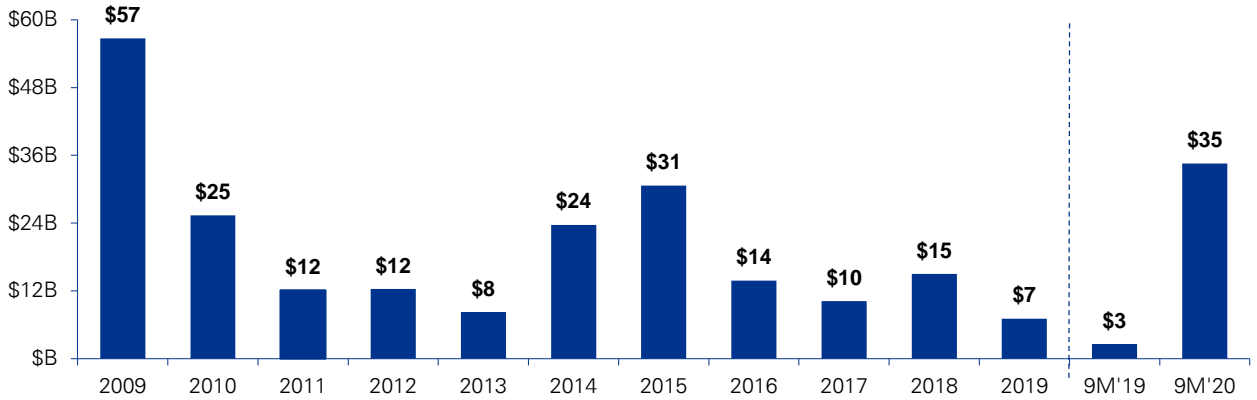


Source: Standard & Poor | Leveraged Commentary & Data.

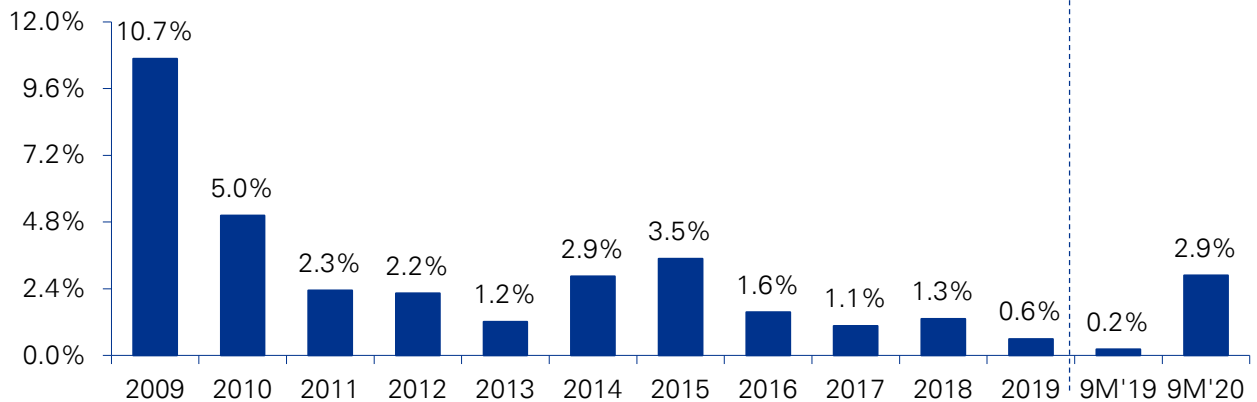


Distress and Defaults

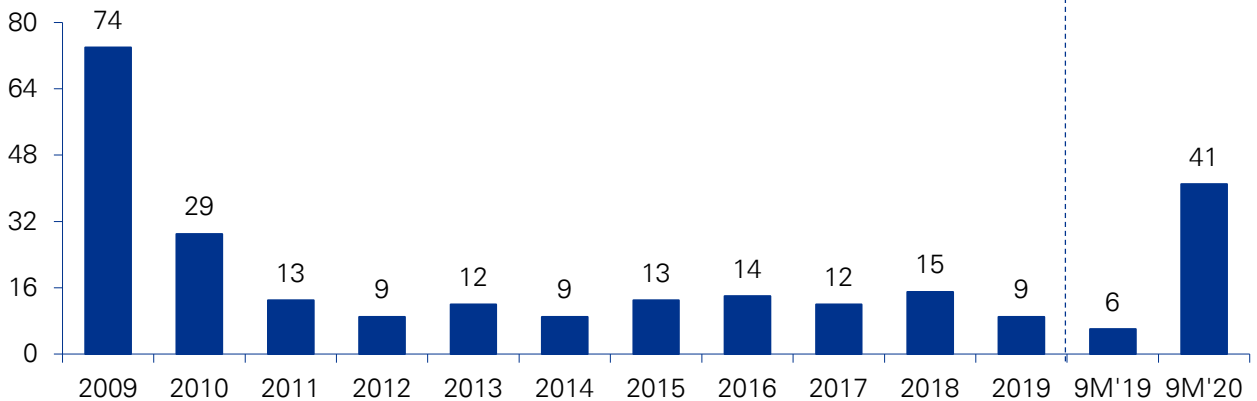
Par Amount of Leveraged Loans in Payment Default or Bankruptcy (\$bn)



Percent of Outstanding Leveraged Loans in Default or Bankruptcy



Number of Issuers in Payment Default or Bankruptcy



Source: Standard & Poor | Leveraged Commentary & Data.



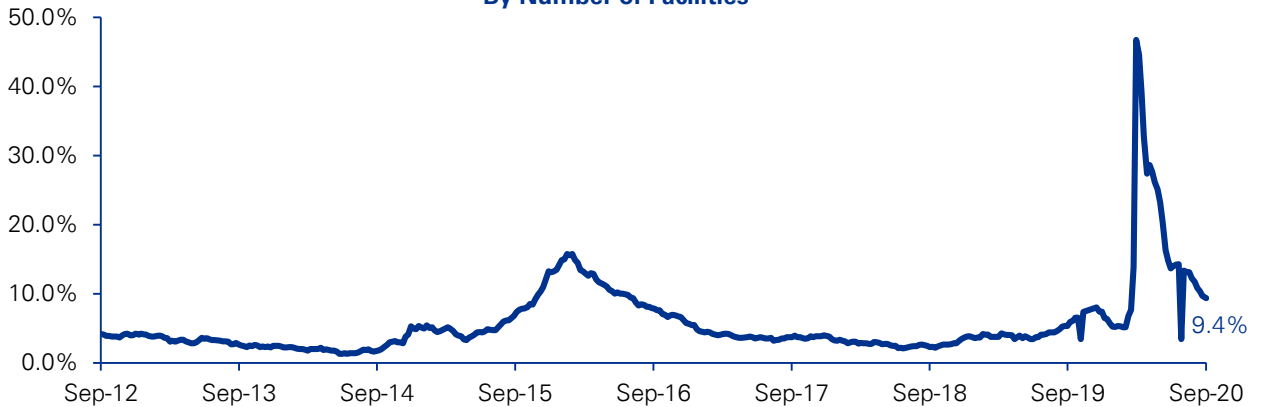
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Distress and Defaults (continued)

**Percent of First-Lien Loans with Secondary Spreads of L+1000 or Higher
By Amount Outstanding**



**Percent of First-Lien Loans with Secondary Spreads of L+1000 or Higher
By Number of Facilities**



Source: Standard & Poor | Leveraged Commentary & Data.



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KPMG Investment Banking - Capital Advisory

Capital Advisory 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

Capital Advisory Transactions



Project Switch Debt Advisory

Acting as financial advisor to a telecommunications company in connection with a debt capital raise

Not Disclosed
Est. 2021



Project Rangers Debt Advisory

Acting as financial advisor to a telecommunications company in connection with a debt capital raise

Not Disclosed
Est. 2020



Project Cardinals Debt Advisory

Acting as financial advisor to an agrochemical company in connection with a debt recapitalization

Not Disclosed
Est. 2020



A portfolio company of



Debt Advisory

Acted as the exclusive financial advisor to Tidewater Fleet Supply in refinancing its existing credit facility

Not Disclosed
2019



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Debt Advisory

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

Not Disclosed
2018



Debt Advisory

Acted as the exclusive financial advisor to The Markets in connection with refinancing a senior secured asset-based revolving credit facility

Not Disclosed
2018



Debt Advisory

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

Not Disclosed
2018



Debt Advisory

Acted as financial advisor and placement agent to Heckler & Koch on a refinancing

\$170 million
2017

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