

A photograph of four business professionals in a modern office setting. They are silhouetted against a large window that looks out onto a sunset. The sun is low on the horizon, creating a bright glow. The office has a polished floor that reflects the people and the window. The overall mood is professional and collaborative.

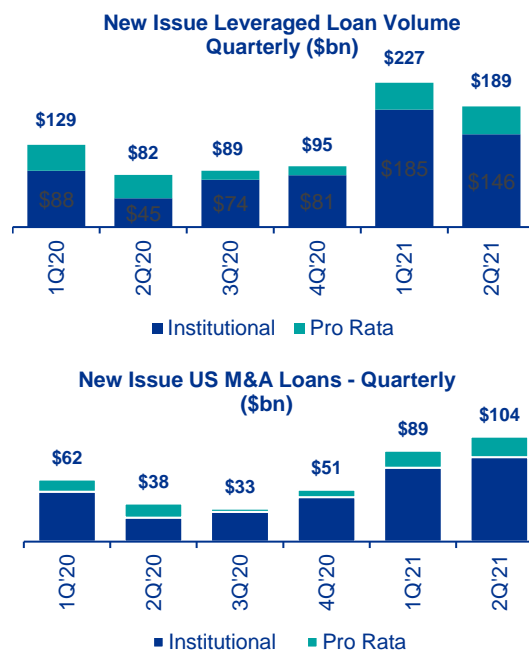
Credit Markets Update

June 30, 2021

Credit Markets Update

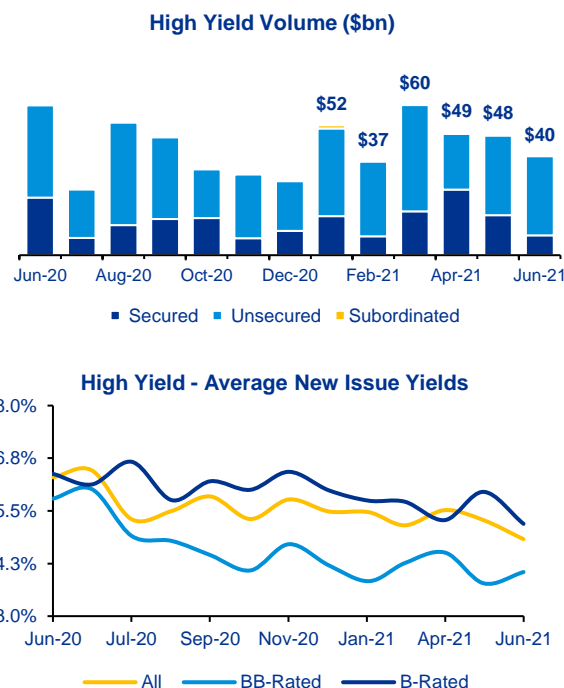
Leveraged loan issuance continued to show strength during the second quarter of 2021 amid the re-opening of the economy and as investors flocked to the floating rate asset class amid the specter of inflation

- New issue leveraged loan volume recorded \$189 billion during Q2-2021, a decline of 16% compared with the previous quarter, but a significant increase from the same quarter last year
- M&A loan volume reached \$104 billion during Q2-2021, one of the largest quarterly totals on record driven by a low interest rate environment and strong deal market
- Refinancing volume declined during Q2-2021 as issuers pushed out near term maturities and reduced pricing during the previous quarter
- Default rates continue to decline as liquidity in the debt markets has resulted in fewer restructurings than initially anticipated



High yield bond issuance continues to set records amid a continual decline in interest rates and issuers seeking to lock in fixed rate debt with the prospect of inflation looming

- High-yield debt issuance has totaled \$286 billion in first six months of 2021, up 36% from the record of \$210 billion set during the first half of last year, supported by a continual low rate environment and extended maturities
- Refinancing-driven high-yield bond issuance was \$202 billion during the first six months of 2021, or 71% of total high-yield issuance volume for the first half of 2021
- High-yield issuance backing M&A reached a record \$36.8 billion during Q2-2021, which has contributed to increased full-year issuance forecasts
- The average new-issue yield for high-yield bonds dropped to a record-low 5.26% in Q2-2021, more than 1.5 points lower than the rate in Q2-2020, and down from the pre-pandemic low of 5.82% in Q4-2019

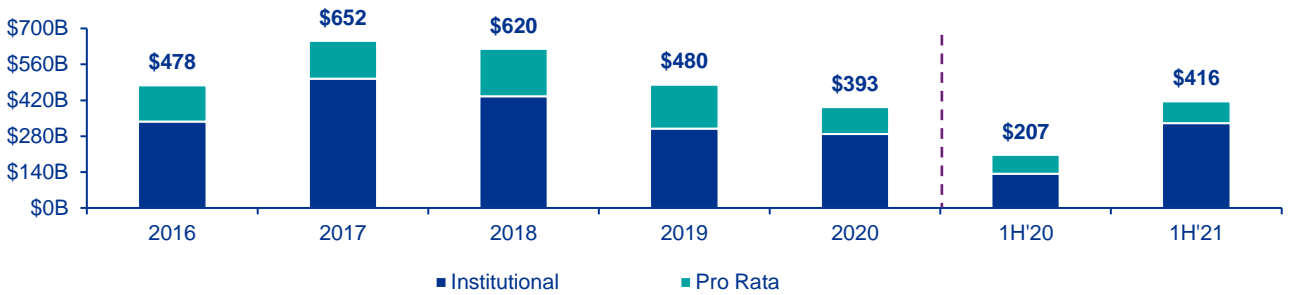


Source: Standard & Poor | Leveraged Commentary & Data.
 Note: Middle market refers to companies with EBITDA of \$50 million or less.

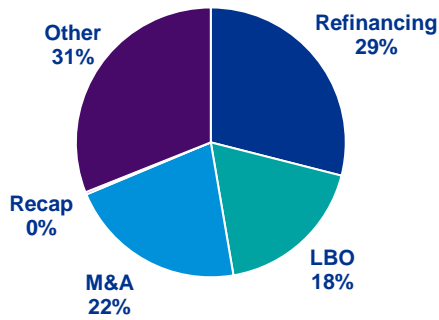


Leveraged Loans

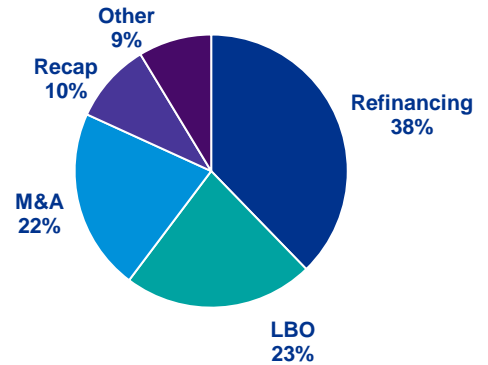
New Issue Leveraged Loan Volume (\$bn)



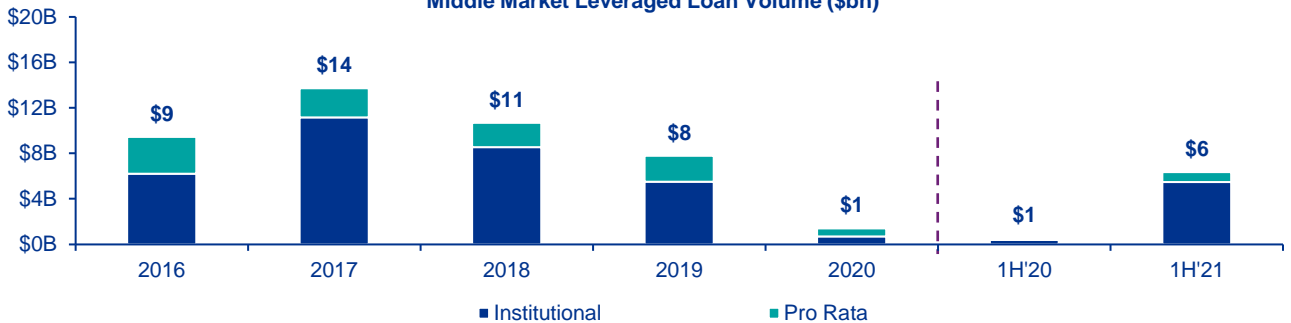
Leveraged Loan Issuance by Purpose - YTD'20



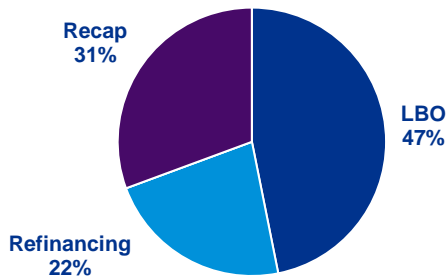
Leveraged Loan Issuance by Purpose - YTD'21



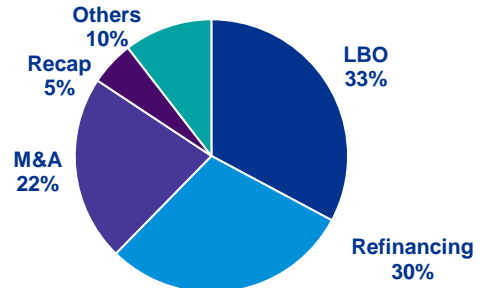
Middle Market Leveraged Loan Volume (\$bn)



Middle Market Leveraged Loan Volume by Purpose - YTD'20



Middle Market Leveraged Loan Volume by Purpose - YTD'21



Source: Standard & Poor | Leveraged Commentary & Data.

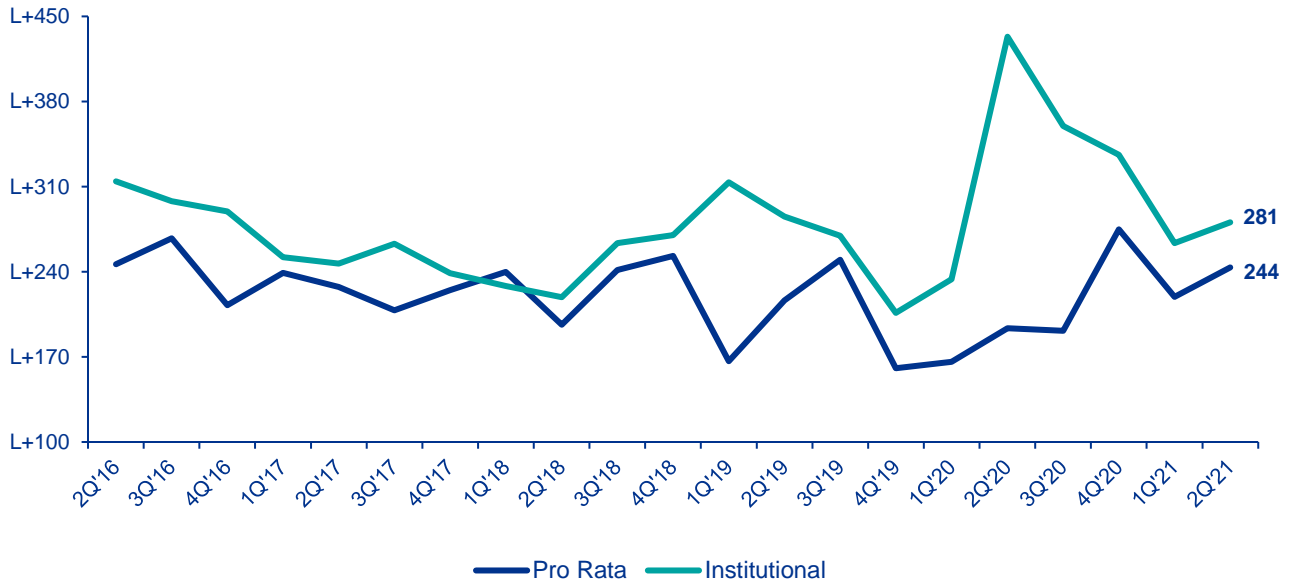
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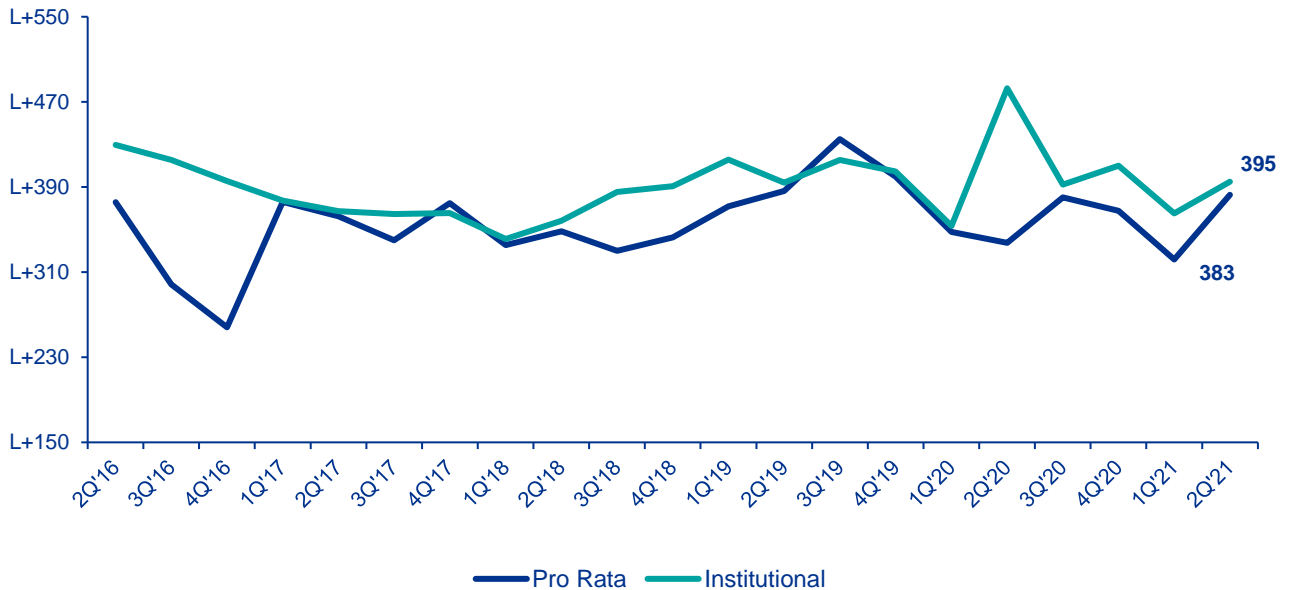
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Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly



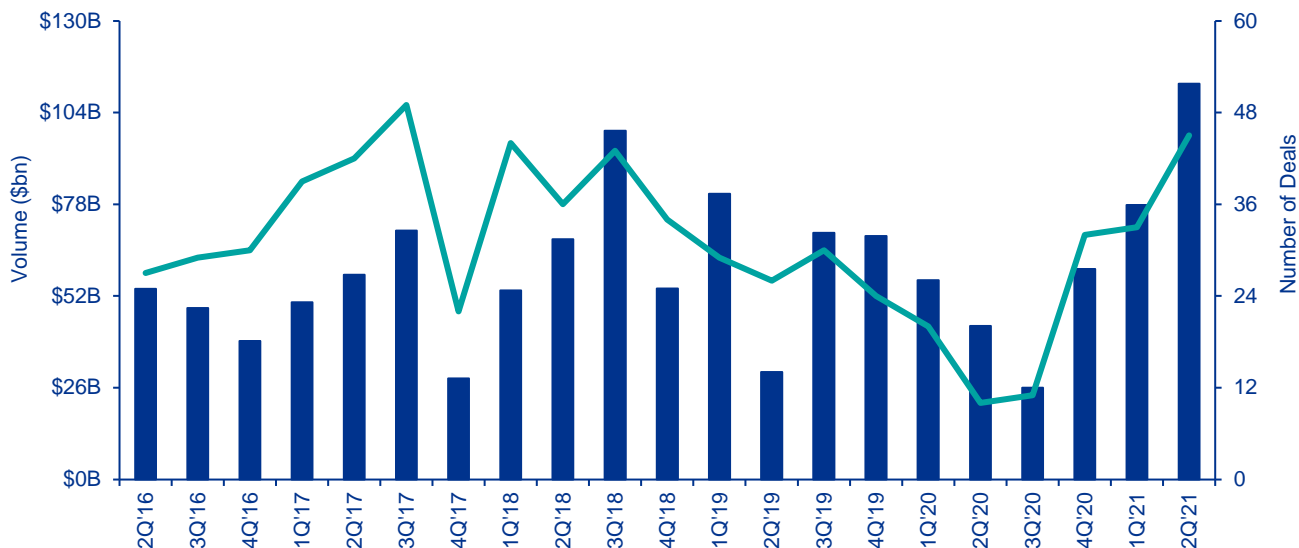
Source: Standard & Poor | Leveraged Commentary & Data.



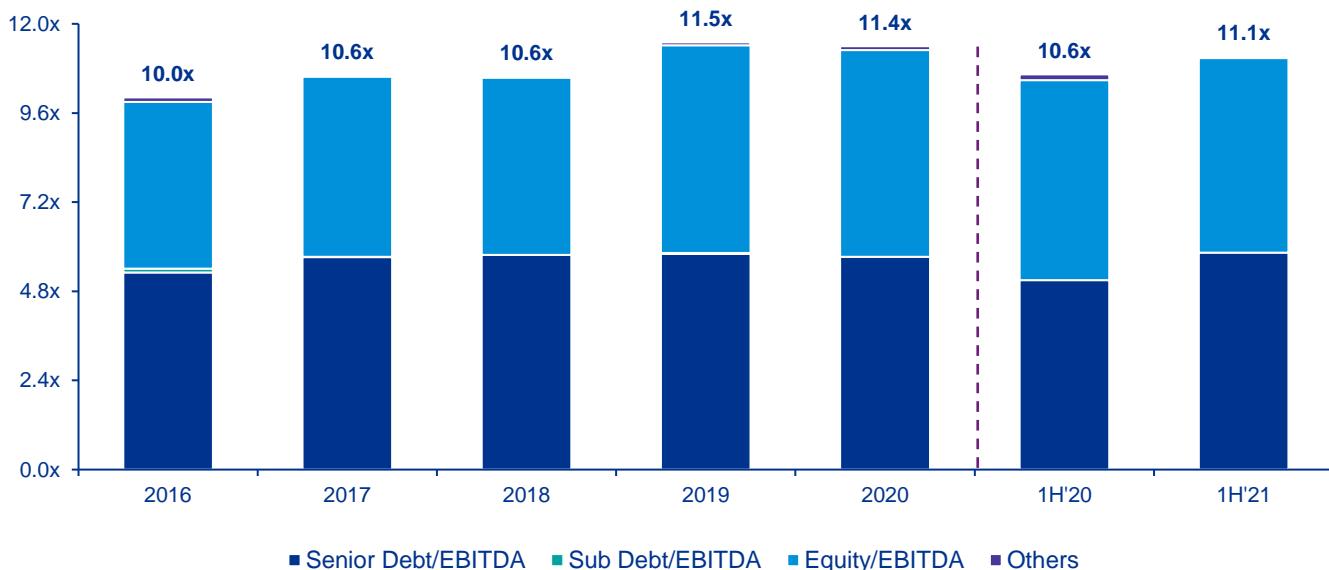
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LBO Summary

LBO Transaction Volume - Quarterly (\$bn)



Average Purchase Price Multiple - All LBOs



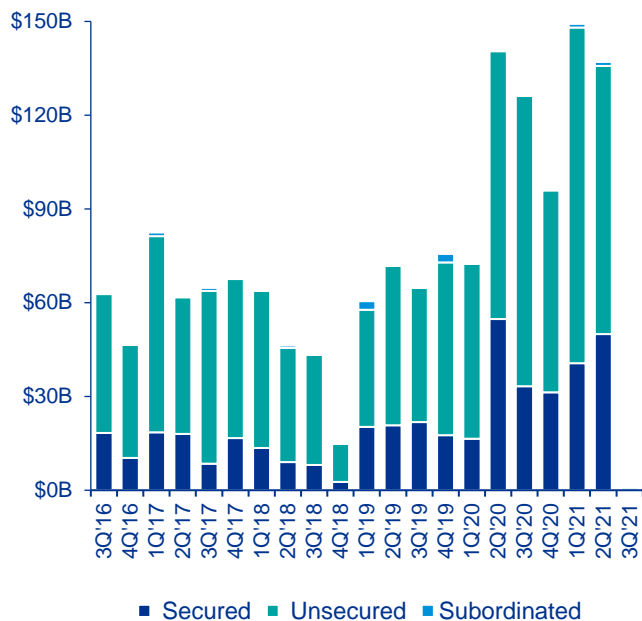
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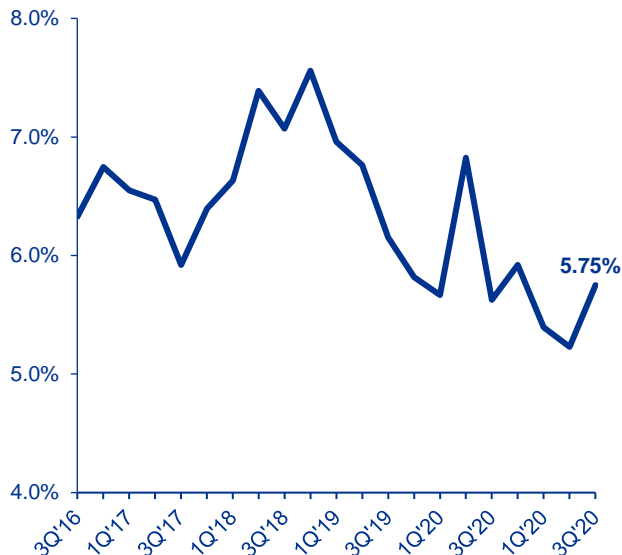
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High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)

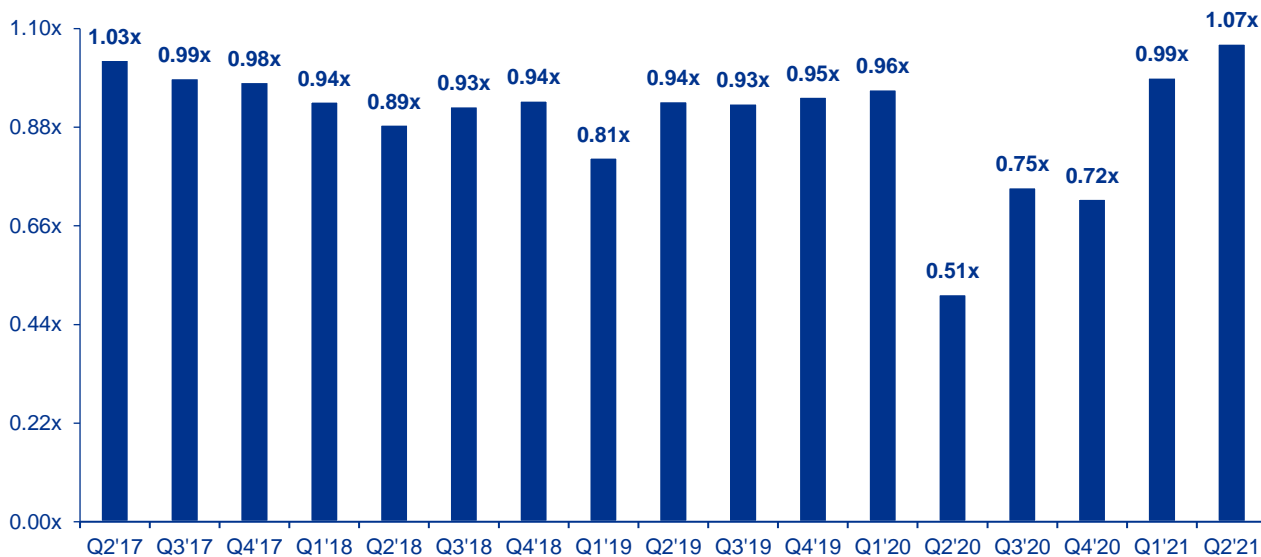


New issue High yield Bond yield to Maturity



Price to Book Value

Public BDCs - Price to Book Value Multiple - Quarterly



Source: Standard & Poor | Leveraged Commentary & Data.



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KPMG Corporate Finance LLC - 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

KPMG




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 2021

KPMG




Debt Advisory

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

Not Disclosed 2021

KPMG



Debt Advisory

Acted as financial advisor to AgXplore in connection with raising credit facilities used for a recapitalization

Not Disclosed 2020

KPMG



A portfolio company of **FALCON CAPITAL**

Debt Advisory

Acted as the exclusive financial advisor to Tidewater Fleet Supply in connection with securing a new credit facility

Not Disclosed 2019

KPMG




Debt Advisory

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

Not Disclosed 2018

KPMG




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

KPMG



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

KPMG



Debt Advisory

Acted as exclusive financial advisor to Razzoo's, Inc. in a debt capital raise

Not Disclosed 2017

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