



Credit Markets Update

September 30, 2021

Credit Markets Update

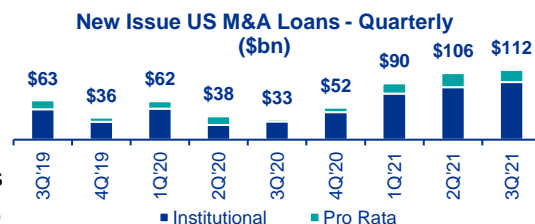
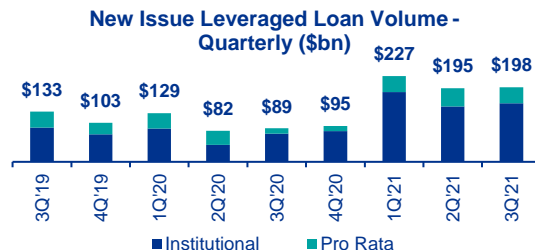
The U.S. leveraged loan market is on a record pace for issuance in 2021 guided by strong investor appetite for yield in the continued low interest rate environment

- New issue loan volume continued its strong momentum to more than double from \$89 billion in Q3-2020 to \$198 billion in Q3-2021; volume remained flat when compared to the previous quarter

- M&A loan volume climbed to \$112 billion in Q3-2021, one of the highest quarterly totals in the last few years, on the back of robust M&A activity and low interest rates

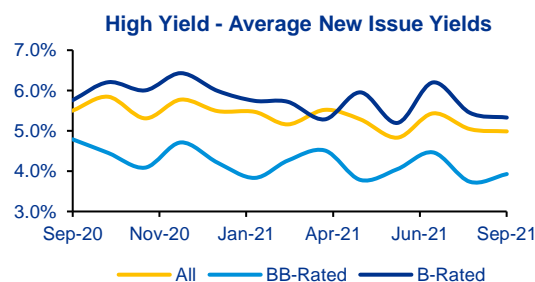
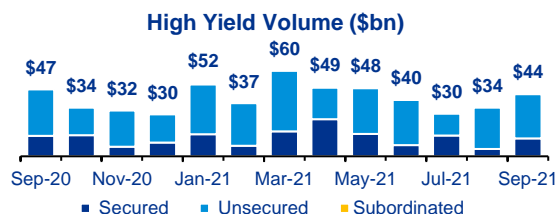
- M&A loan volume in the middle market (companies <\$50MM EBITDA) also increased significantly, growing from \$1.0 billion YTD '20 to \$6.1 billion YTD '21.

- Refinancing volume continued to decline quarter-over-quarter, falling 20% in Q3-2021 to \$47 billion. Dividend recapitalizations surpassed full-year record, surged to \$73 billion YTD Q3-2021, an increase of over 300% from YTD Q3-2020



The high-yield bond issuance continued at a robust pace during Q3-2021 as borrowers rush to lock in costs sooner rather than later as rising inflation and inflation expectations prompted the Federal Reserve to hint at rate increases in 2022

- High-yield debt issuance for the third quarter totaled \$108 billion, down 21% quarter-over-quarter and 14.4% from the third quarter of 2020
- High-yield bond issuance driven by M&A increased to \$86 billion year-to-date. Refinancing accounted for 57% of issuance volume in Q3-2021, driven by issuers refinancing costlier loans raised in the pre-pandemic period
- The average new-issue yields for high-yield bonds continued its record low trajectory, falling to 5.12% during Q3-2021; the yield stood at 5.32% in Sep-2021 as compared to 5.75% in the comparable period last year



Libor Transition - Update

- Libor is expected to phase out and be replaced by SOFR (“Secured Overnight Financing Rate”) by the end of 2021. SOFR is based on overnight “repo” funding rates on transactions collateralized by Treasury securities, one of the deepest and most liquid markets in the world
- One-month and three-month Libor benchmark rates will continue to be published solely for use with legacy contracts
- Banks can face supervisory actions if they delay replacing the Libor benchmark in pricing new loans and financial contracts in 2022

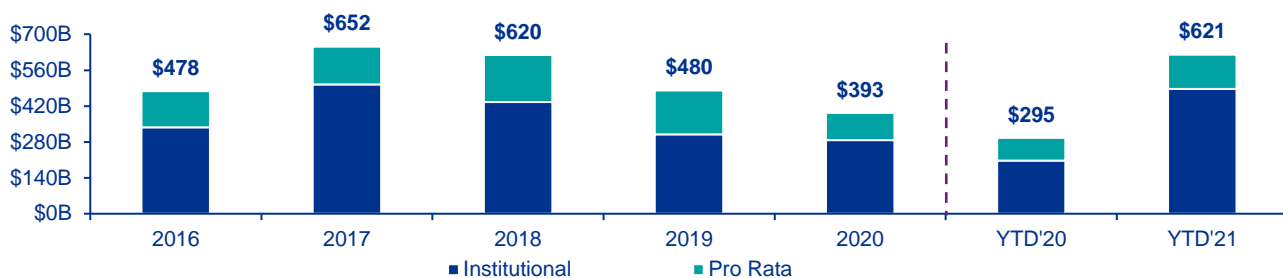
Source: Standard & Poor | Leveraged Commentary & Data, Wall Street Research, Federal Reserve.



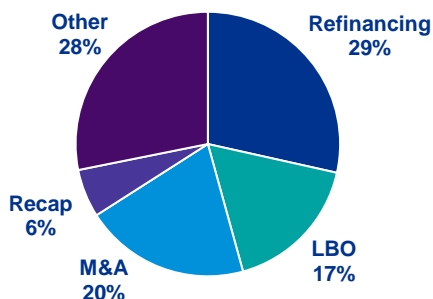
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Leveraged Loans

New Issue Leveraged Loan Volume (\$bn)

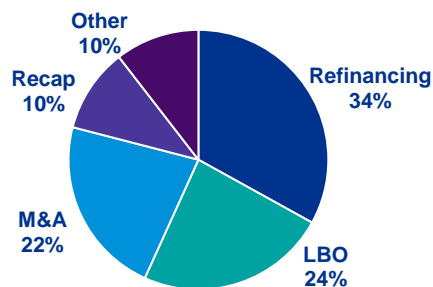


Leveraged Loan Issuance by Purpose - YTD'20



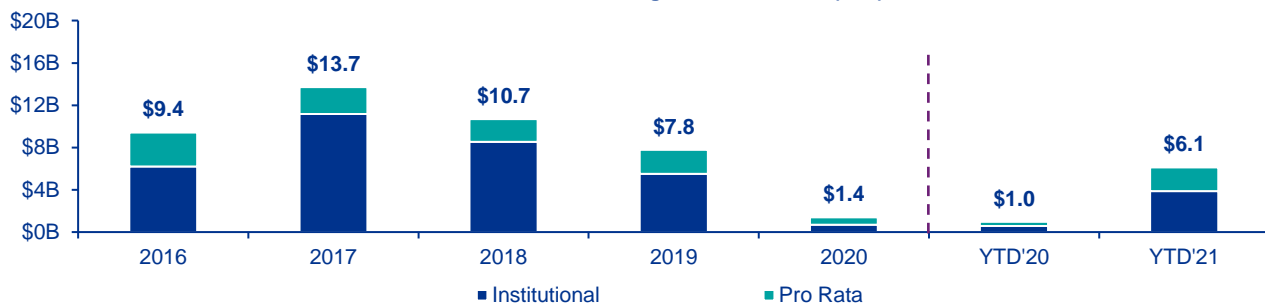
Total volume: \$295 billion

Leveraged Loan Issuance by Purpose - YTD'21

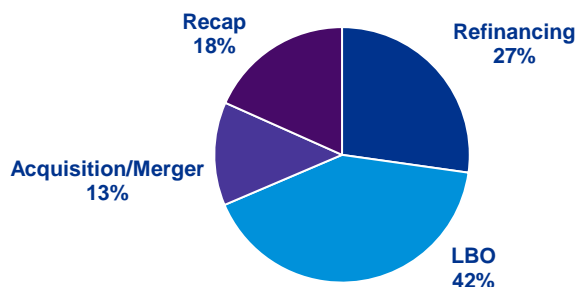


Total volume: \$621 billion

Middle Market Leveraged Loan Volume (\$bn)

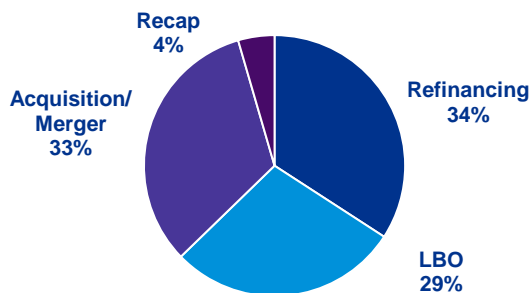


Middle Market Leveraged Loan Volume by Purpose - YTD'20



Total volume: \$1.0 billion

Middle Market Leveraged Loan Volume by Purpose - YTD'21



Total volume: \$6.1 billion

Source: Standard & Poor | Leveraged Commentary & Data.

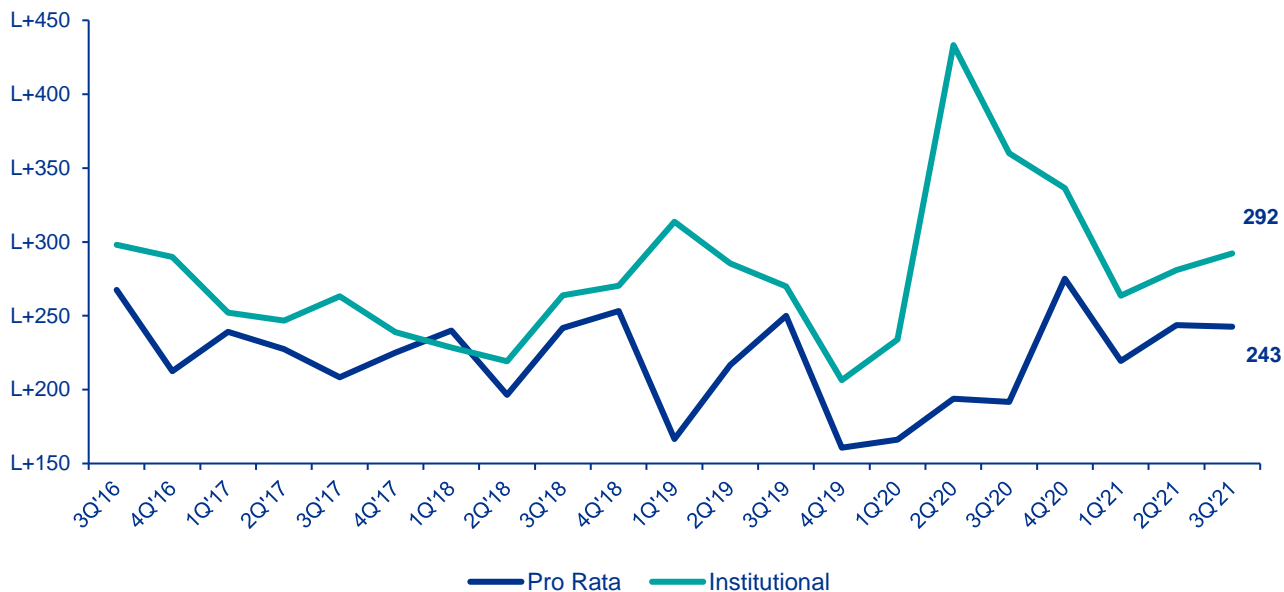
Note: Middle market refers to companies with EBITDA of \$50 million or less.



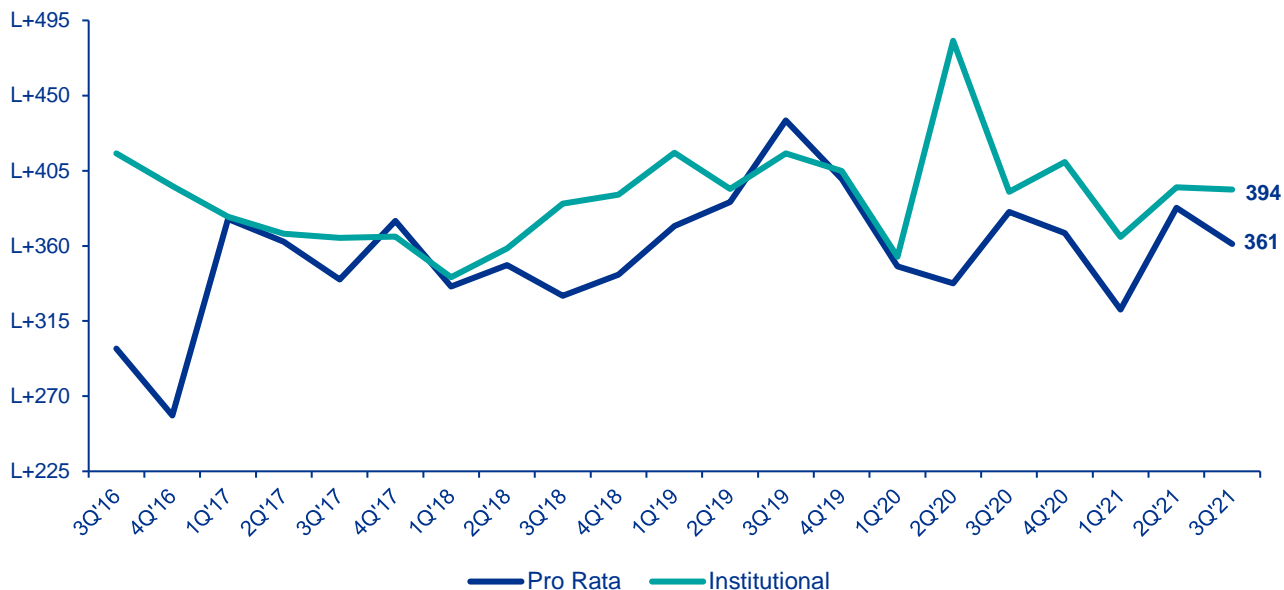
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Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly



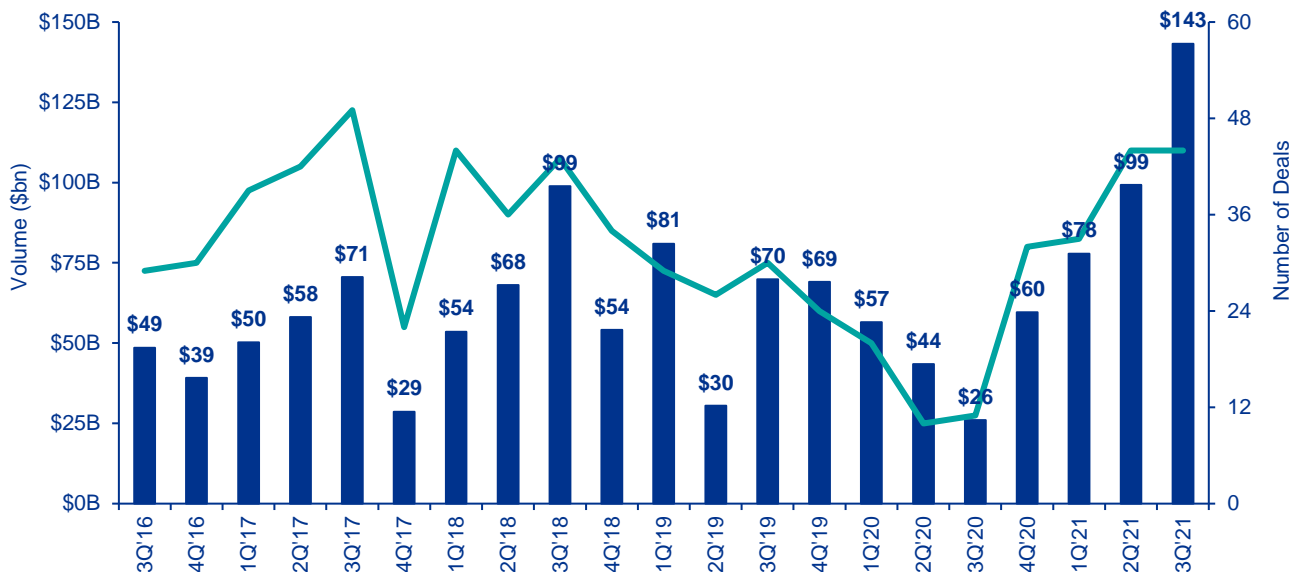
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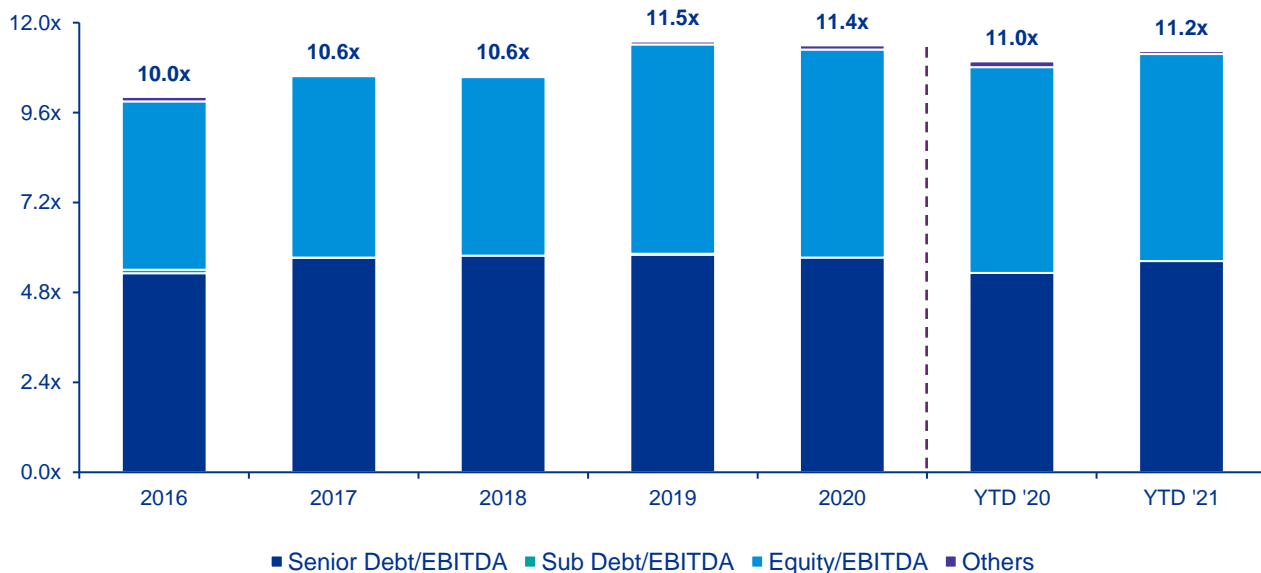
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LBO Summary

LBO Transaction Volume - Quarterly (\$bn)



Average Purchase Price Multiple - All LBOs



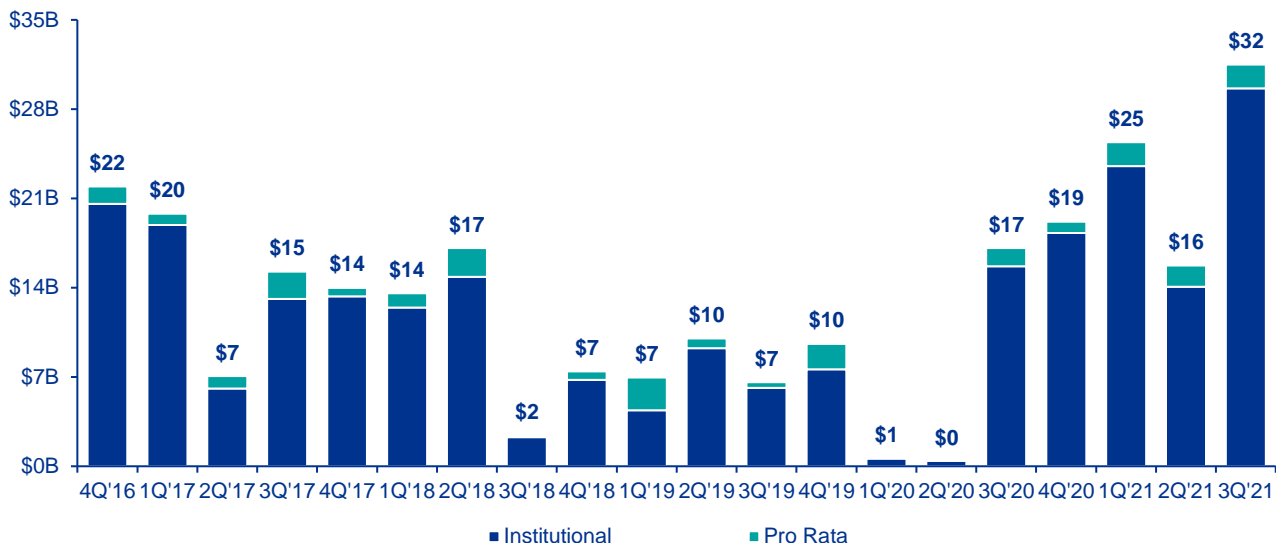
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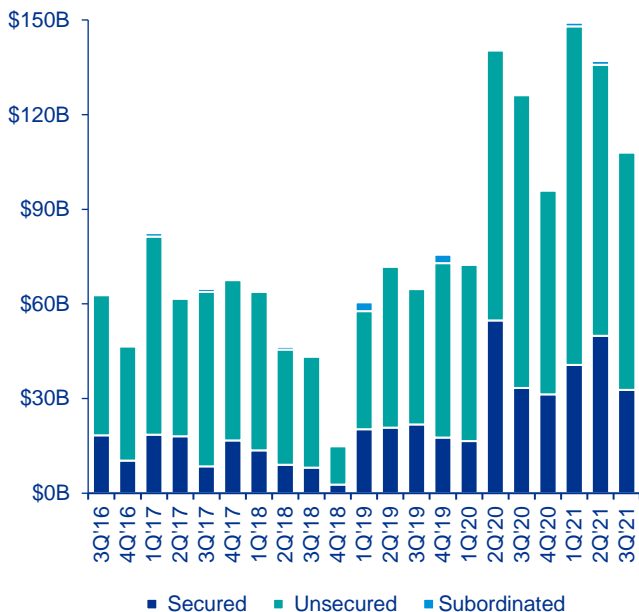
Dividend Recapitalization

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

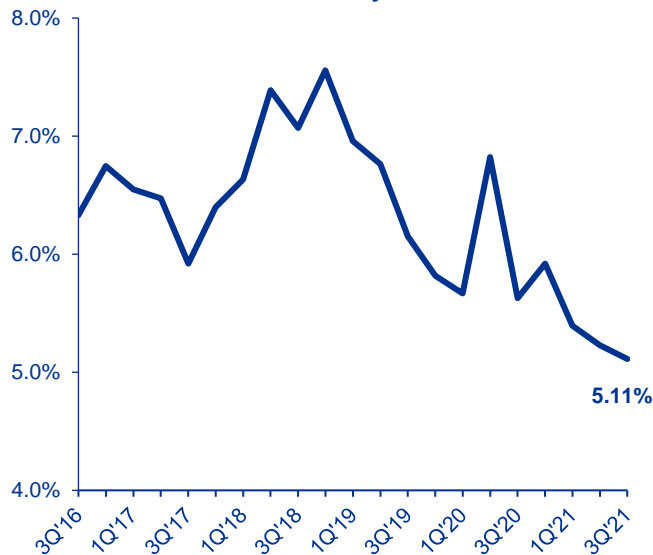


High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New issue High yield Bond yield to Maturity



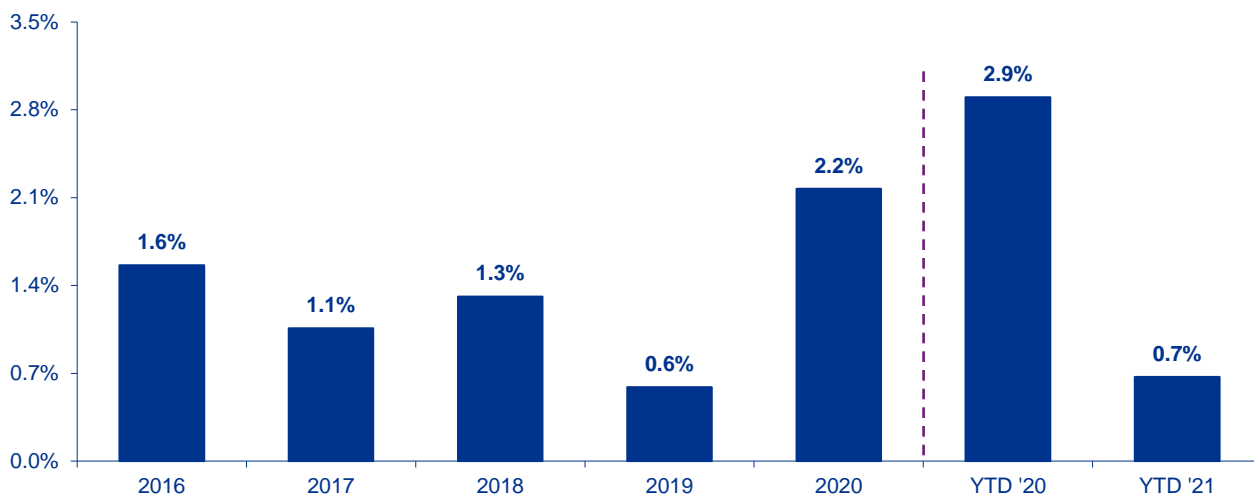
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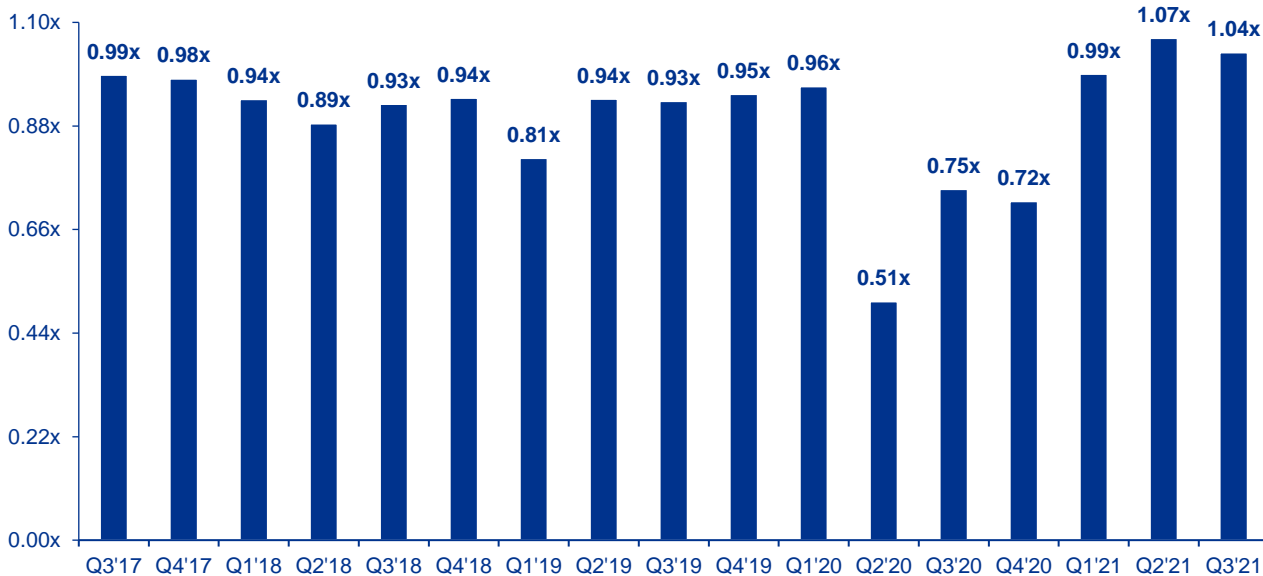
Distress and Defaults

Percent of Outstanding Leveraged Loans in Default or Bankruptcy



Price to Book Value

Public BDCs - Price to Book Value Multiple - Quarterly



Source: Standard & Poor | Leveraged Commentary & Data.



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Capital Raising Advisory Services

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

Select Transactions



Project Pacers

Debt Advisory

Raising a unitranche debt facility to refinance existing debt for a provider of highly engineered battery management systems



Growth Equity

Has completed a growth equity investment led by One Peak Equity with participation from Morgan Stanley, Expansion Capital and Connected Capital



Debt Advisory

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



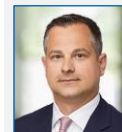
Debt & Equity Advisory

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



Michael Rudolph

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312-665-1442
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Doug Christensen

Vice President
312-665-2960
djchristensen@kpmg.com



A portfolio company of



Debt Advisory

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



Debt Advisory

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



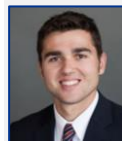
Debt & Equity Advisory

Has completed a capital raise to fund the acquisition of 1 Priority Environmental Services



Debt Advisory

Acted as the exclusive financial advisor to Fortem Holdings in connection with securing debt for the acquisition of C&TDG Management LLC



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