



Credit Markets Update

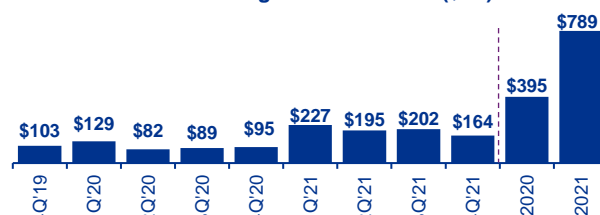
December 31, 2021

Credit Markets Update

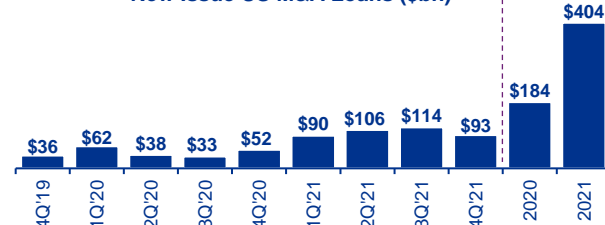
2021 was a record-setting year in the leveraged finance markets as continued low interest rates, robust market liquidity, and a rebound in investor demand supported a broad-based recovery in loan volumes

- New-issue leveraged loan volume reached \$789.0 billion in 2021, a staggering increase over 2020 loan volume of \$395.0 billion
 - Annual institutional new-issue loan volume witnessed all-time highs in 'B'-rated, dividend recapitalizations, and M&A categories
- Of note, annual M&A loan volume increased to \$404.2 billion in 2021 from \$183.8 billion in 2020, aided by a continued era of low interest rates and robust deal activity, particularly by sponsored companies
- Dividend recapitalizations reached an all-time high of \$82.2 billion in 2021, more than double its 2020 volume, with sponsors accounting for 85% of recap volume

New Issue Leveraged Loan Volume (\$bn)



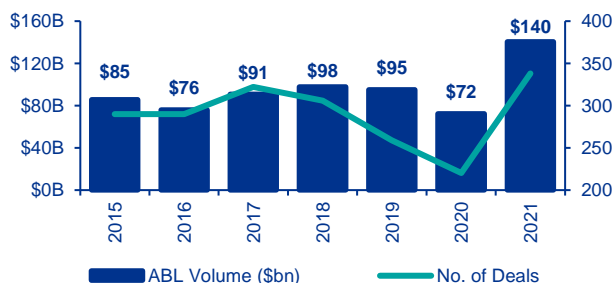
New Issue US M&A Loans (\$bn)



Asset-based loan (“ABL”) volume sets an all-time high record in 2021

- ABL volume in 2021 totaled \$140.0 billion, exceeding the previous high recorded in 2011 by 39%. Q4-2021 volume is also the second highest quarterly total behind Q3-2021 at \$36.0 billion
- Driving overall ABL activity was refinance volume, which reached a record level of \$106.0 billion in 2021 as issuers sought to cut costs and lower rates from the highs seen earlier in the pandemic

Annual Syndicated Loan Volume (\$bn)



Growing concerns about inflation and communication from the Federal Reserve of its intention to raise rates in 2022 slowed issuance in the fixed rate high-yield market towards the end of 2021

- High-yield debt issuance for the last quarter dwindled to \$10.0 billion, down more than 65% sequentially as well as year-over-year. However, full year 2021 high-yield bond issuance broke all previous records to reach \$465.0 billion
- Driving high-yield bond issuance was robust M&A activity, which reached a record high of \$108.0 billion in 2021, more than doubling from the levels seen in 2020

High Yield Bond Volume (\$bn)

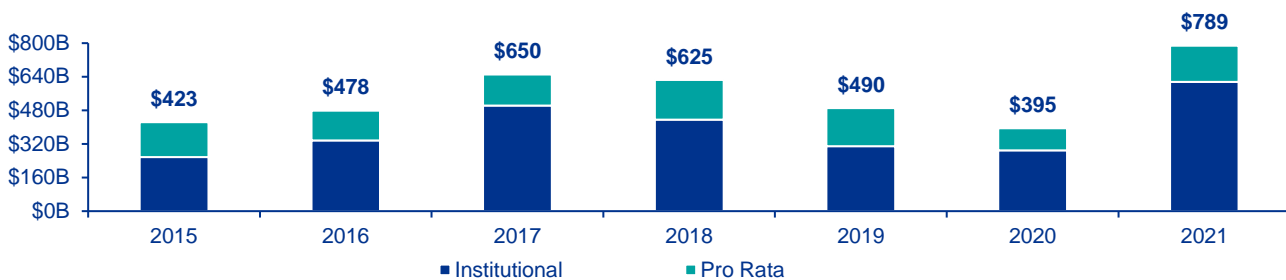


Source: Standard & Poor | Leveraged Commentary & Data, Refinitiv, Wall Street Research, Federal Reserve.

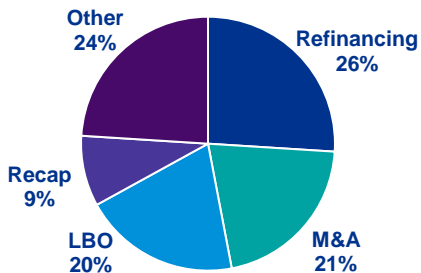


Leveraged Loans

New Issue Leveraged Loan Volume (\$bn)

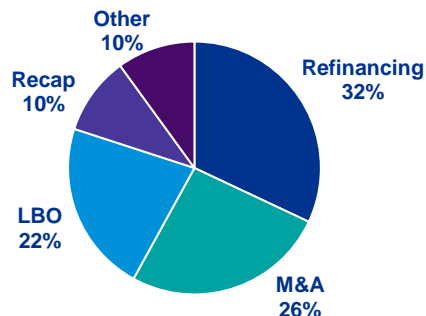


Leveraged Loan Issuance by Purpose - 2020



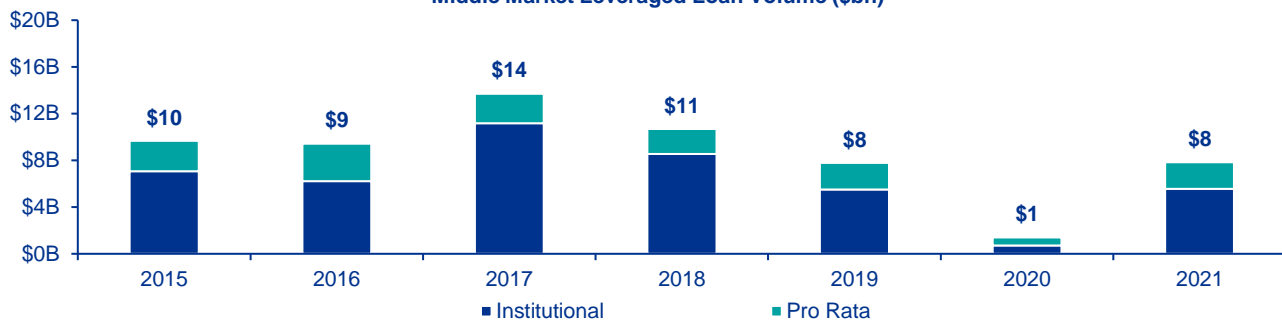
Total volume: \$395 billion

Leveraged Loan Issuance by Purpose - 2021

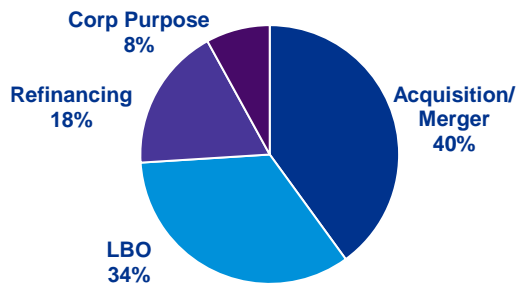


Total volume: \$789 billion

Middle Market Leveraged Loan Volume (\$bn)

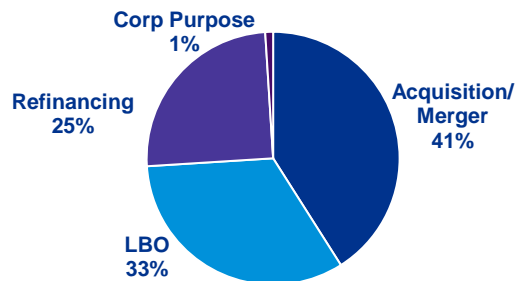


Middle Market Leveraged Loan Volume by Purpose - 2020



Total volume: \$1.4 billion

Middle Market Leveraged Loan Volume by Purpose - 2021



Total volume: \$7.8 billion

Source: Standard & Poor | Leveraged Commentary & Data.

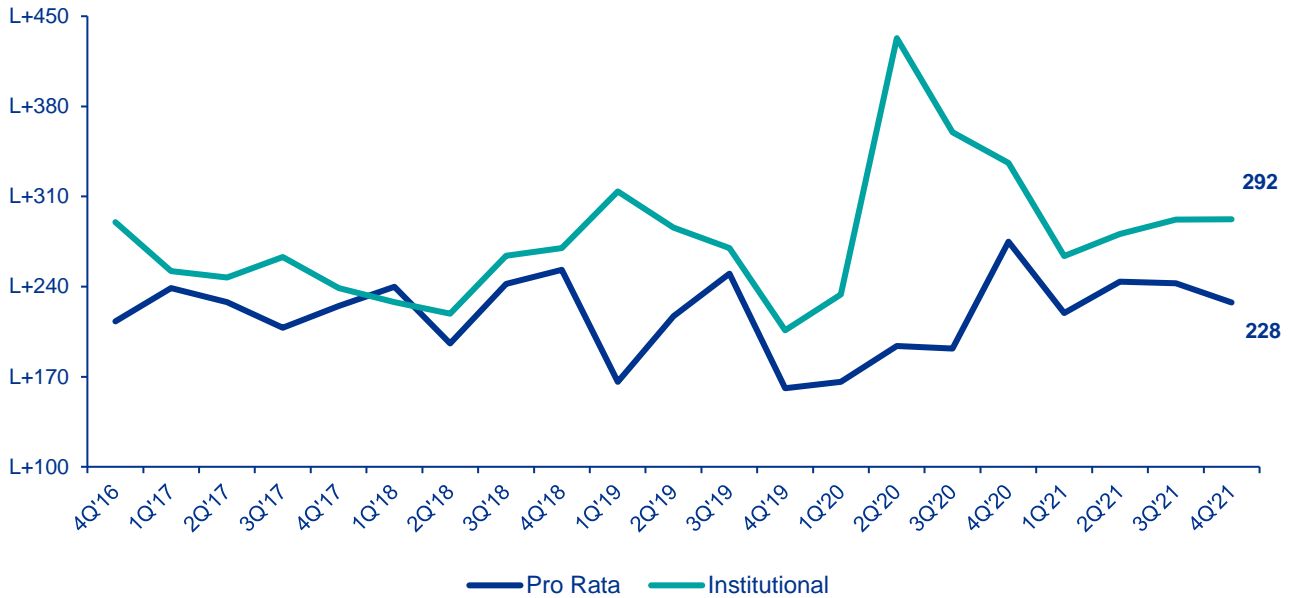
Note: Middle market refers to companies with EBITDA of \$50 million or less.



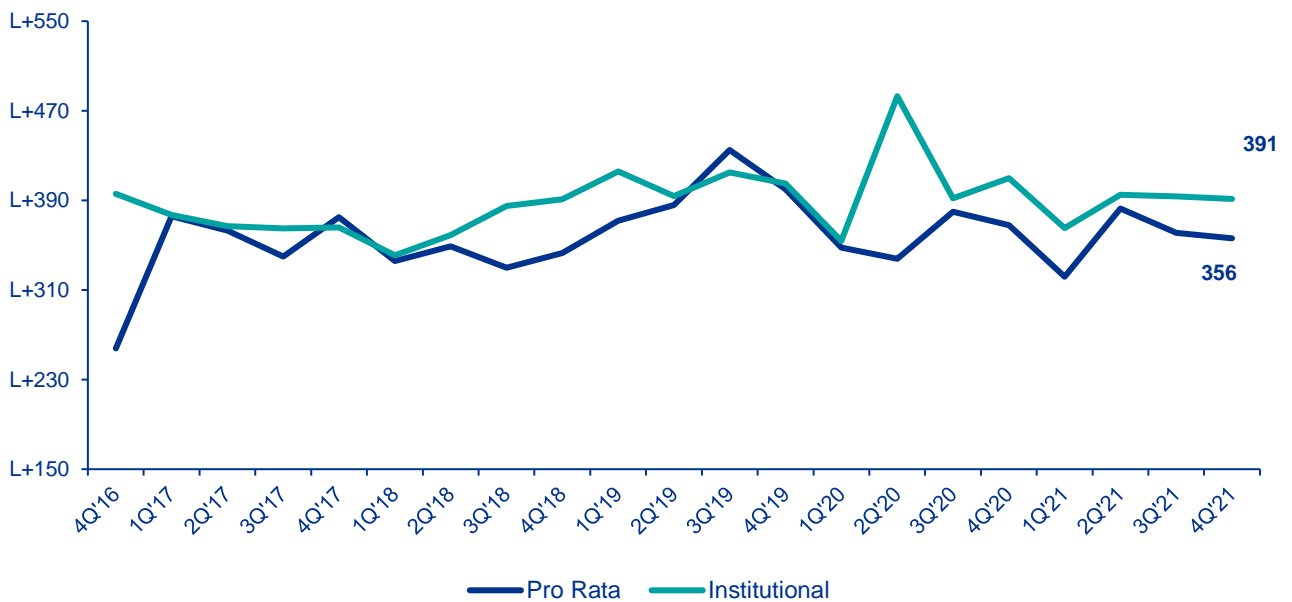
©2022 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance LLC is not engaged in the practice 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



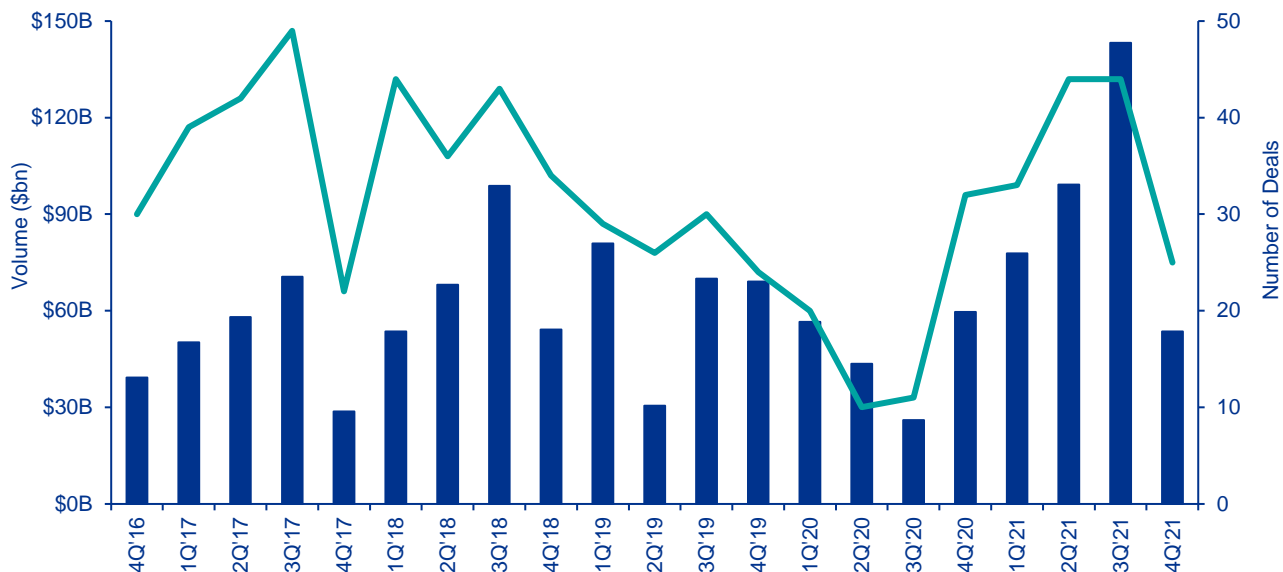
Source: Standard & Poor | Leveraged Commentary & Data.



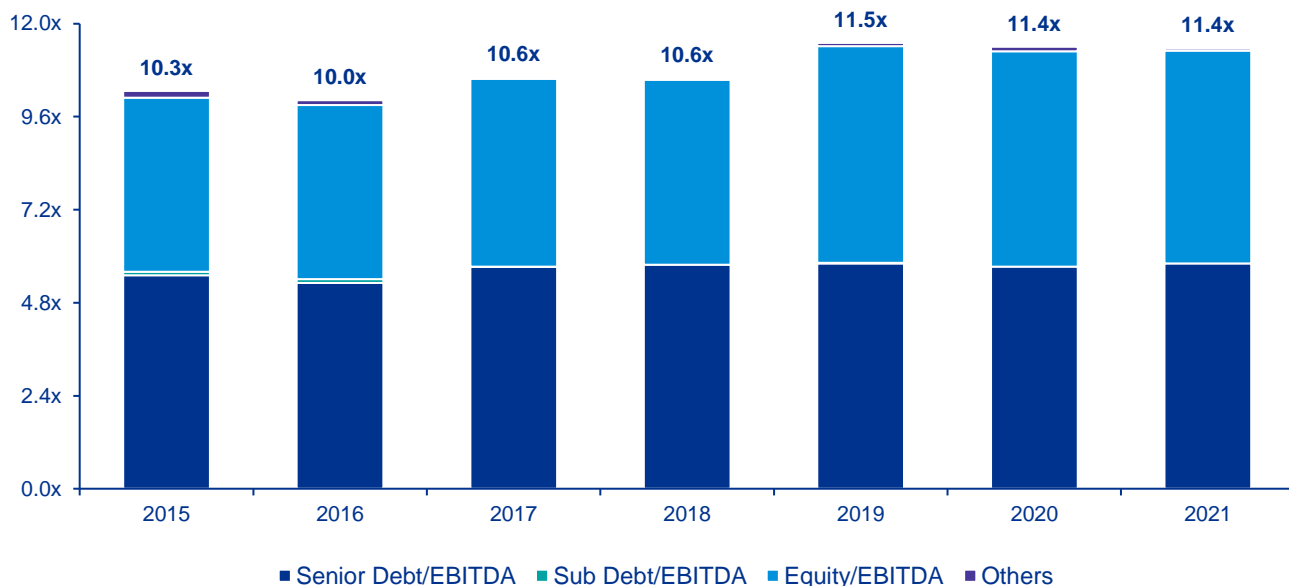
©2022 KPMG Corporate Finance LLC, a Delaware limited liability company. Member FINRA/SIPC. KPMG Corporate Finance LLC is a subsidiary of KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Corporate Finance LLC is not engaged in the practice of public accountancy. All rights reserved.

LBO Summary

LBO Transaction Volume - Quarterly (\$bn)



Average Purchase Price Multiple - All LBOs



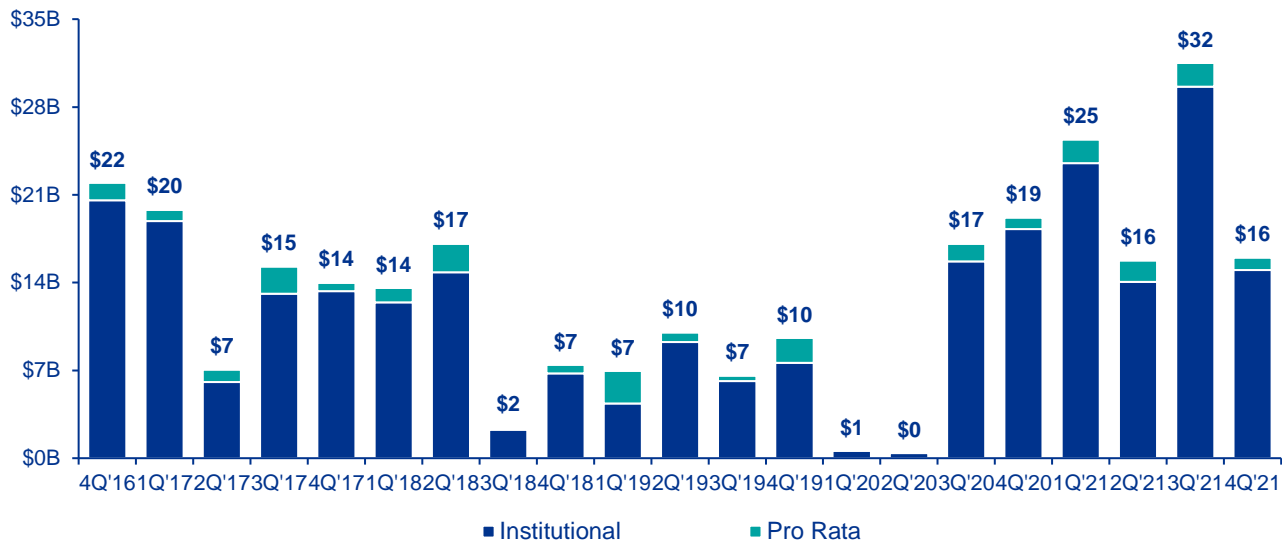
Source: Standard & Poor | Leveraged Commentary & Data.



©2022 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 LLC is not engaged in the practice of public accountancy. All rights reserved.

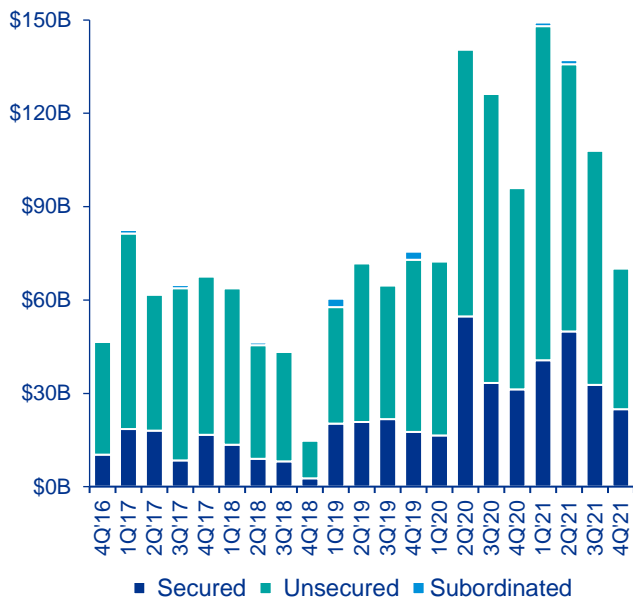
Dividend Recapitalization

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

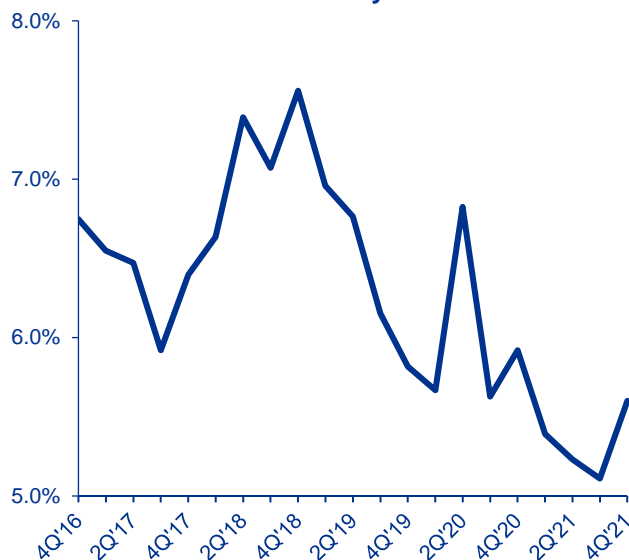


High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New issue High yield Bond yield to Maturity



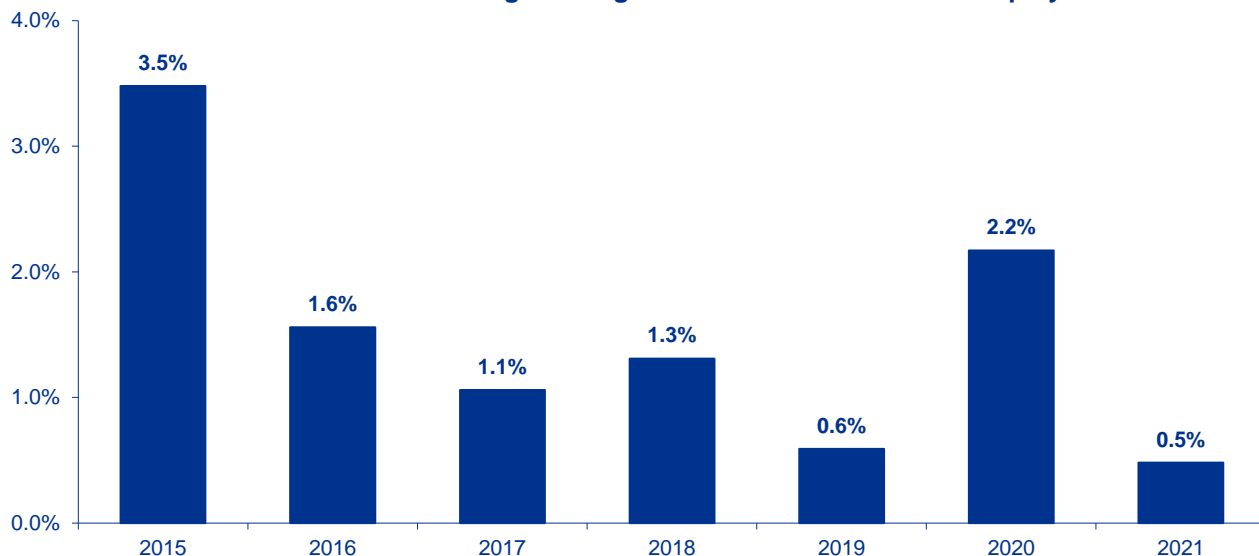
Source: Standard & Poor | Leveraged Commentary & Data.



©2022 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 LLC is not engaged in the practice of public accountancy. All rights reserved.

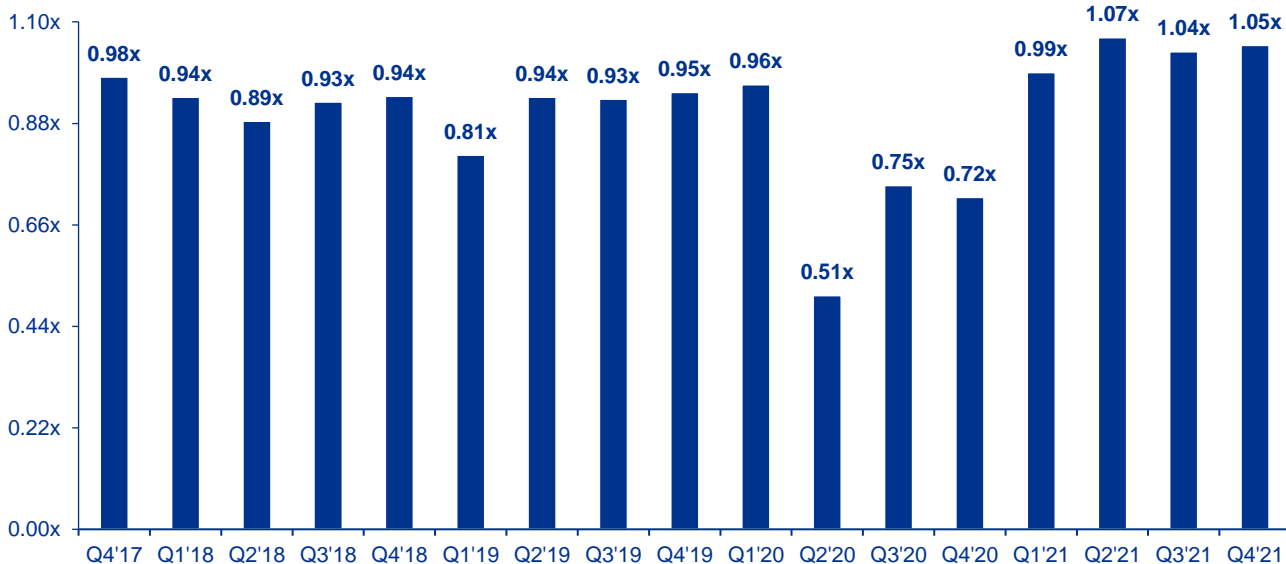
Distress and Defaults

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.



©2022 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 LLC is not engaged in the practice of public accountancy. All rights reserved.

KPMG Investment Banking - Capital Raising Advisory Services

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


KPMG


 a portfolio company of

Debt Advisory
 Acted as the exclusive financial advisor to JMC Capital Partners in connection with securing a new credit facility for Green Cubes Technology Corporation
Not Disclosed 2021

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


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

For more information, contact:



Philip Isom
 Principal
 Global Head of M&A
 312-665-1911
 pisom@kpmg.com



Michael Rudolph
 Managing Director
 Capital Advisory
 312-665-1442
 msrudolph@kpmg.com



Doug Christensen
 Vice President
 Capital Advisory
 312-665-2960
 djchristensen@kpmg.com



Rob Caliento
 Senior Associate
 Capital Advisory
 212-954-6201
 rcaliento@kpmg.com

www.kpmgcorporateline.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.



©2022 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 LLC is not engaged in the practice 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.