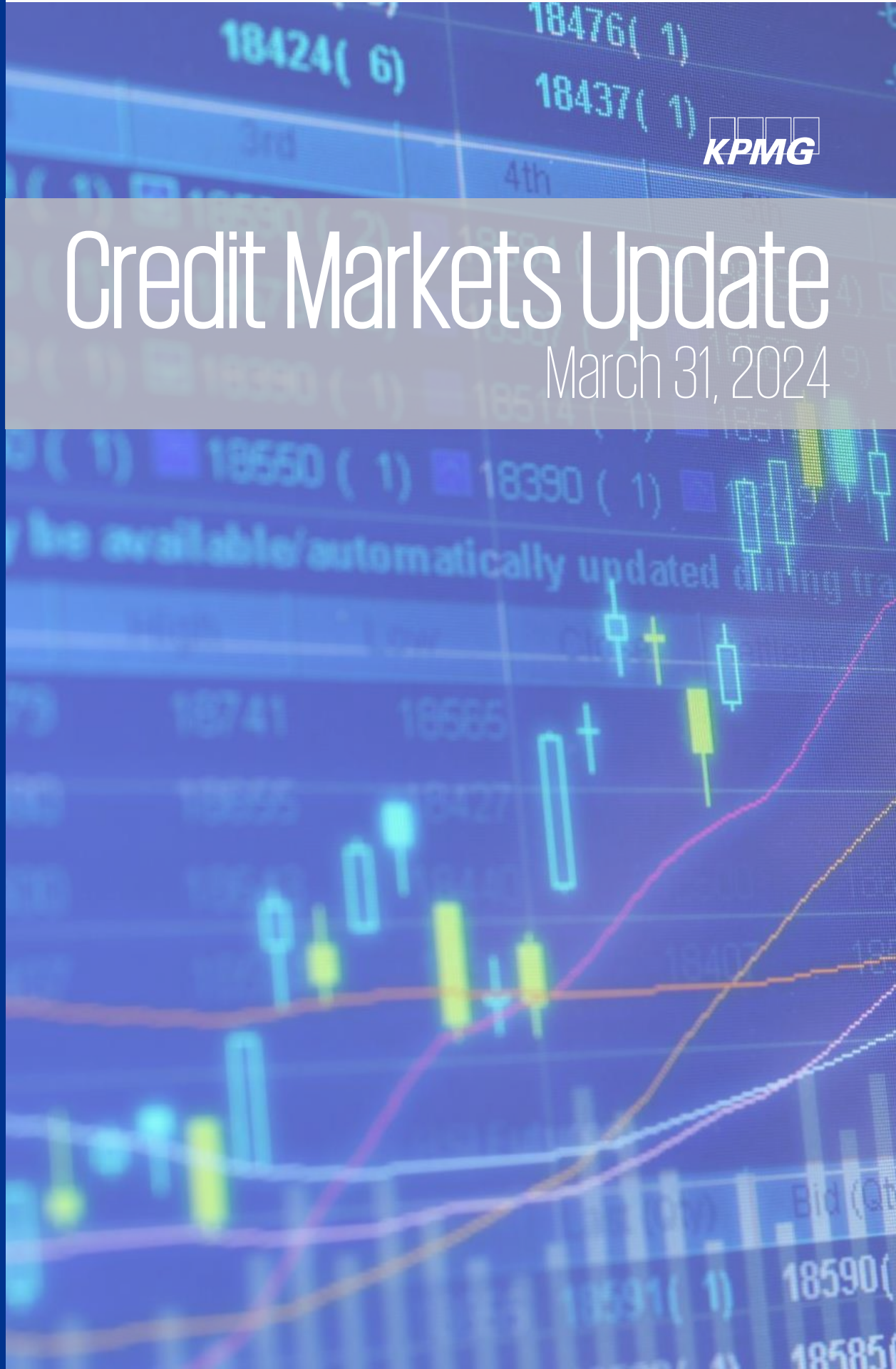




Credit Markets Update

March 31, 2024



Credit Markets Update

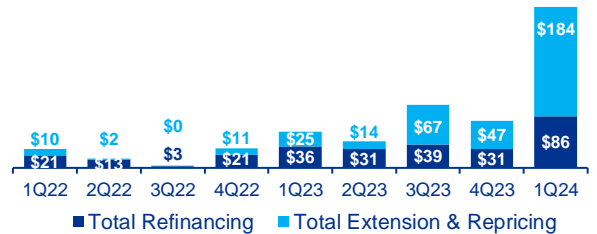
Opportunistic borrowers dominated the market during the first quarter of 2024 as new-issue spreads declined to multi-year lows amidst improved sentiment in the broadly syndicated loan market

- First quarter new-issue leveraged loan volume reached \$167.9 billion during the first quarter of 2024, a significant uptick from \$72.0 billion in the same period in 2023, and surpassing the volume level during the first quarter of 2022
 - Contracting spreads and increased risk appetite from CLO investors created a favorable environment for opportunistic borrowers
- Refinancing activity continued to be the main driver in first quarter volume with \$86.1 billion printed, a strong increase from \$31.4 billion during the same period last year
 - Refinancing accounted for 60% of the loan volume
 - Extension and Repricing activity, which is not included in new-issue loan volume statistics, also recorded a new peak at \$183.5 billion during the quarter
- M&A volumes continued their slow recovery due to elevated cost of debt and held-up sponsor exit activity
 - During the first quarter sponsors have focused their activity on refinancing and dividend recaps, recording \$51.0 billion and \$18.0 billion, respectively
- Amid expected rate reductions during 2024, broadly syndicated loan market sentiment improved significantly during the first quarter, pushing new-issue spreads to multi-year lows across the full credit-quality spectrum

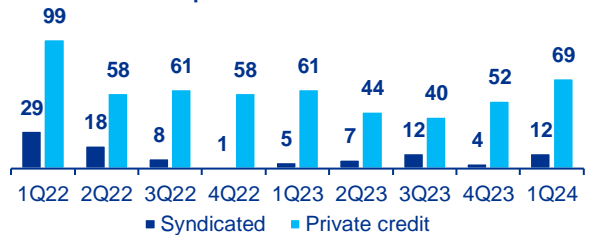
New-Issue Leveraged Loan Volume (\$bn)



U.S. Institutional Refinancing Loan Volume (\$bn)



Count of LBOs financed in broadly syndicated vs private credit markets



High yield volume soared during the first quarter of 2024

- First quarter volume of \$85.2 billion more than doubled from \$40.6 billion in 2023, recording a peak after 10 quarters, as waiting issuers utilized slightly favorable conditions to refinance impending maturities
- The average yield at issuance slipped further down in the first quarter at 7.73%, to mark the lowest yield in the past seven quarters

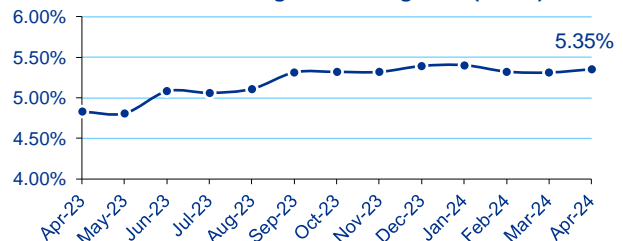
High Yield Volume (\$bn)



The Federal Reserve maintained interest rate levels during the first quarter, while indicating there could be up to three rate cuts during 2024

- The Federal Reserve remains cautious of reducing rates too soon as inflation remains sticky as it approaches the Fed's preferred level
- Continued geopolitical uncertainty and upcoming U.S. election are expected to play a key role in policy decisions in coming months

Secured Overnight Financing Rate (SOFR)



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

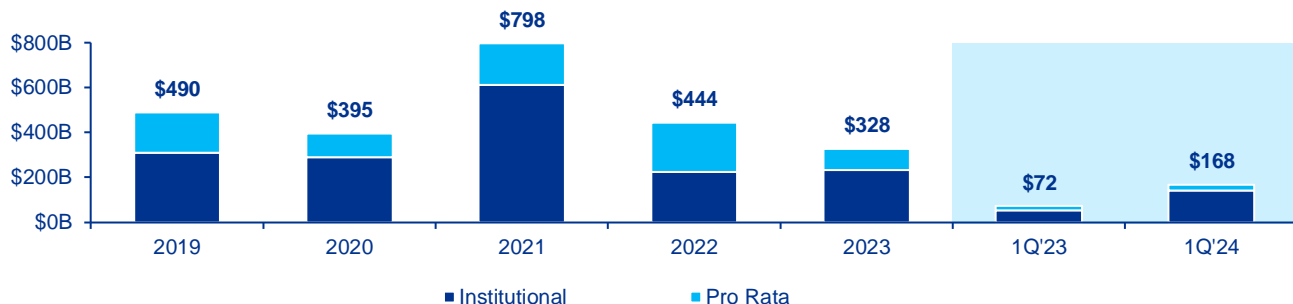
Source: PitchBook | Leveraged Commentary & Data, KPMG Market Research.



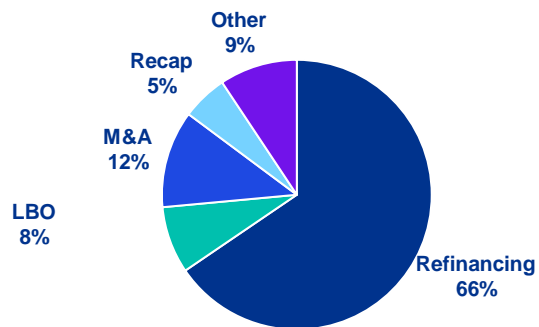
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Leveraged Loans

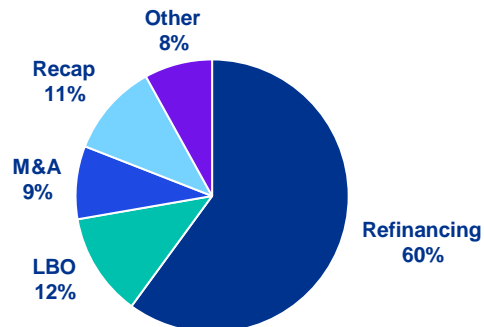
New-Issue Leveraged Loan Volume (\$bn)



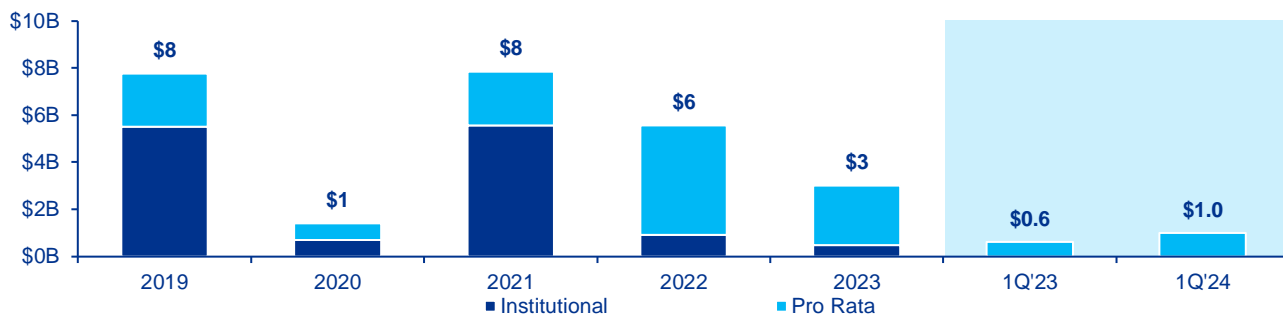
Leveraged Loan Issuance by Purpose - 1Q' 23



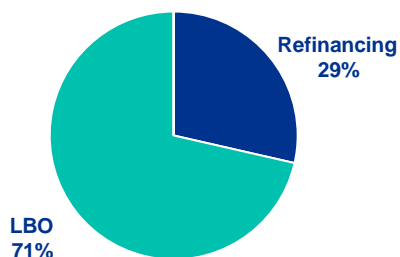
Leveraged Loan Issuance by Purpose - 1Q' 24



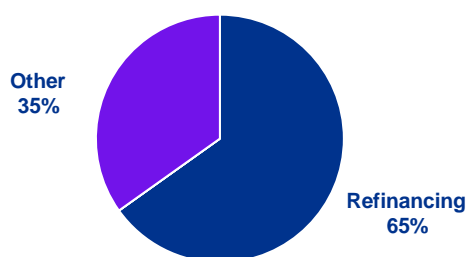
Middle Market Leveraged Loan Volume (\$bn)



Middle Market Leveraged Loan Volume by Purpose - 1Q'23



Middle Market Leveraged Loan Volume by Purpose - 1Q'24

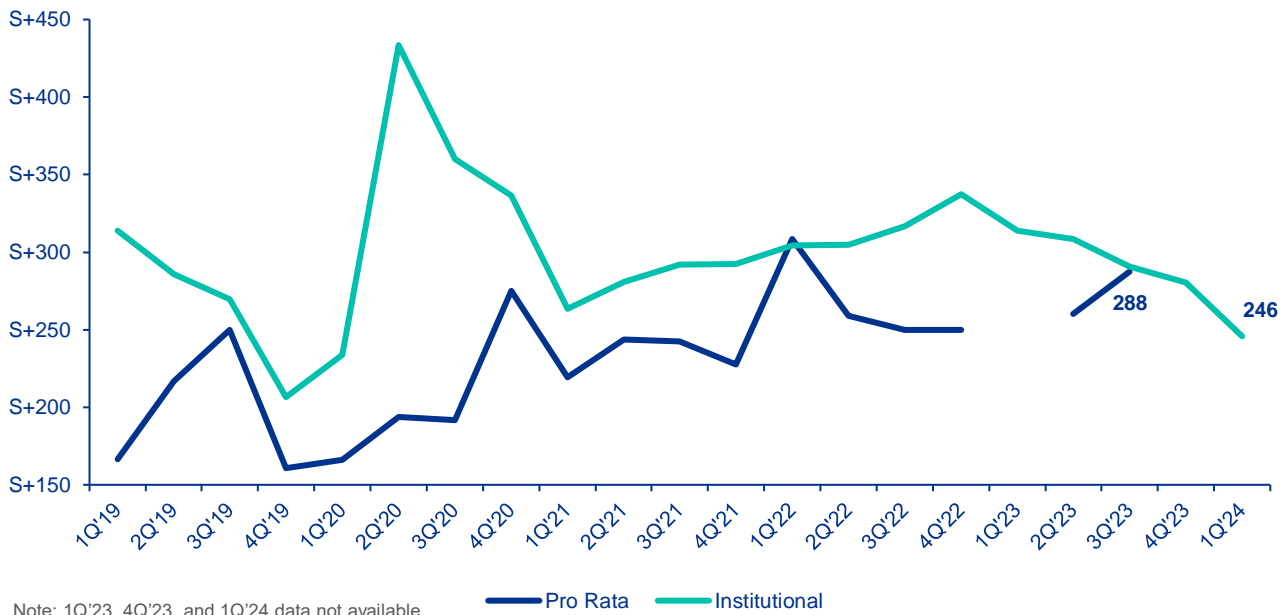


Source: PitchBook | Leveraged Commentary & Data.
 Note: Middle market refers to companies with EBITDA of \$50 million or less.

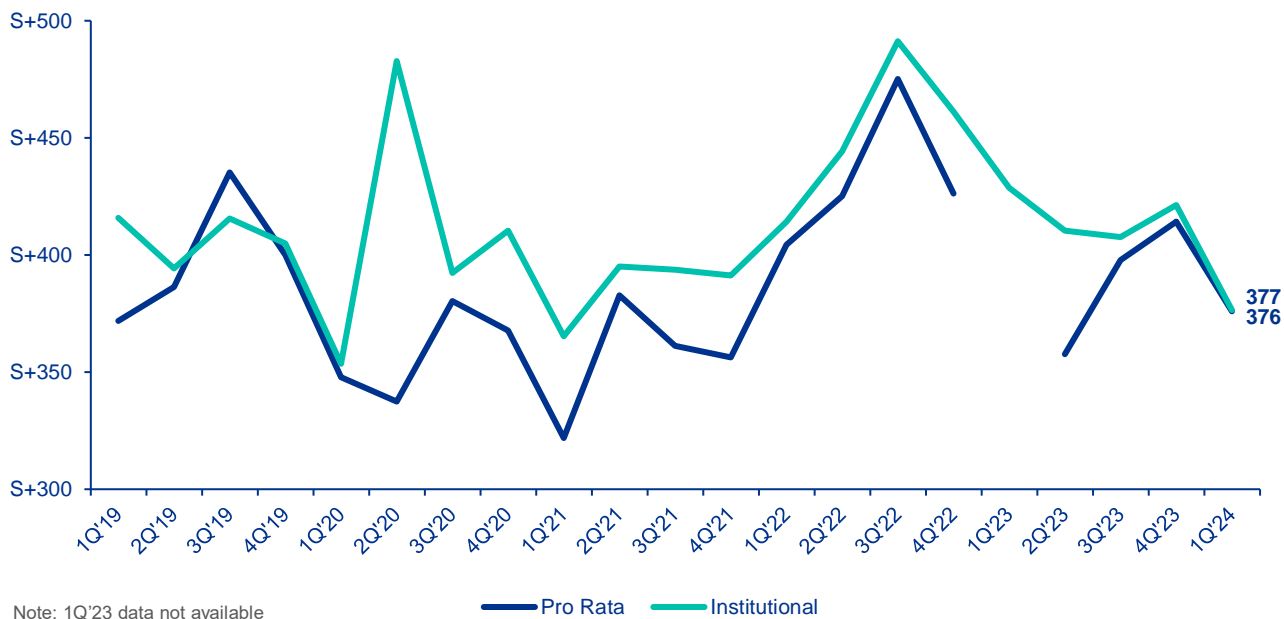


Leveraged Loans (continued)

New Issue First Lien Spreads BB/BB- - Quarterly



New Issue First Lien Spreads B+/B - Quarterly

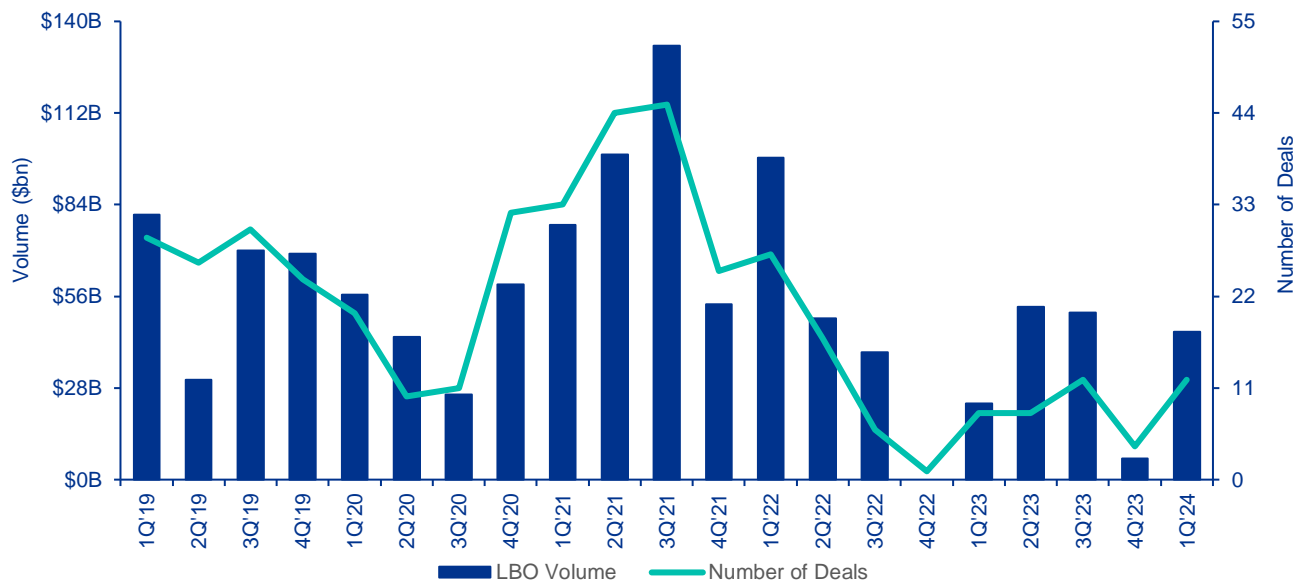


Source: PitchBook | Leveraged Commentary & Data.



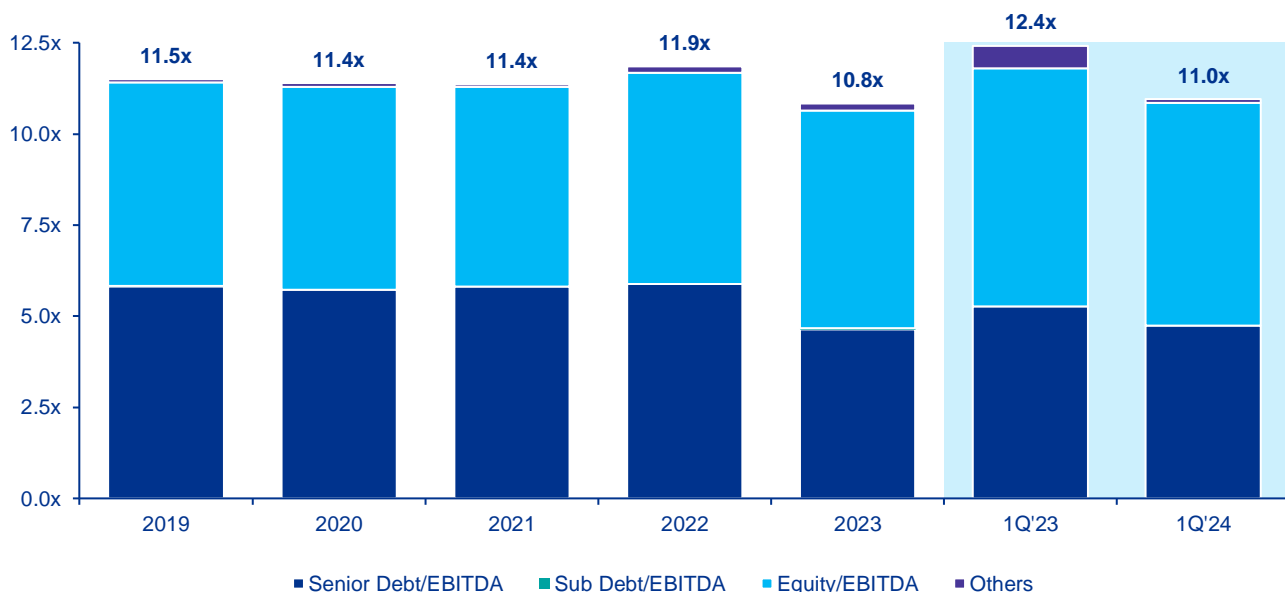
LBO Summary

LBO Transaction Volume - Quarterly (\$bn)



Note: 4Q'22 LBO volume data not available

Average Purchase Price Multiple - All LBOs



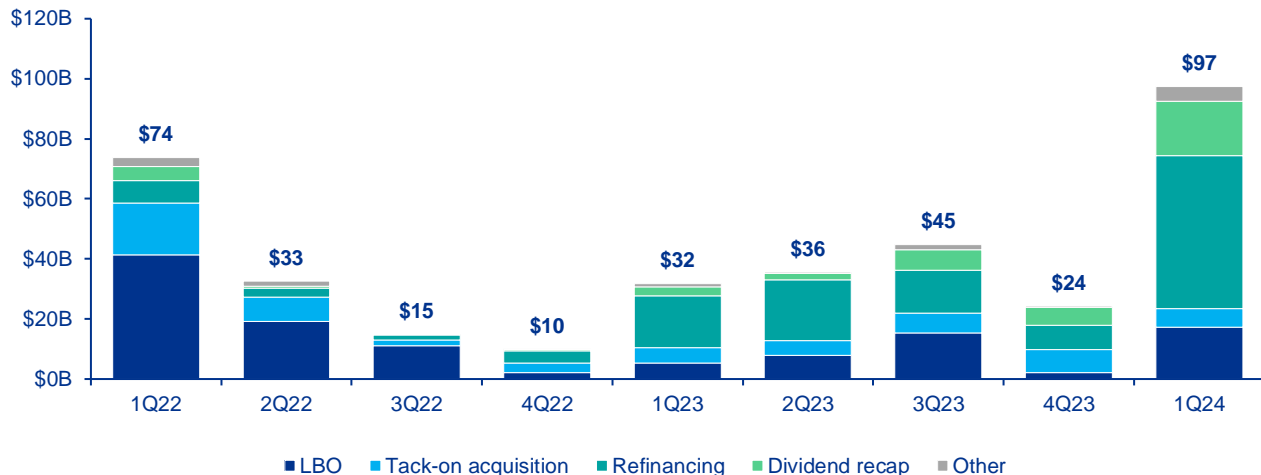
Source: PitchBook | Leveraged Commentary & Data.



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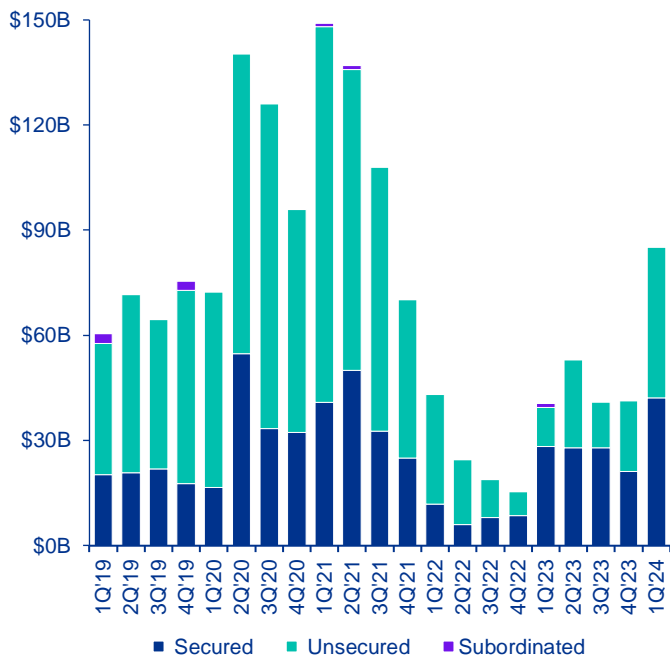
PE-backed Borrowers' Activity

PE-backed Borrowers' Activity - Institutional Loan Volume (\$B)

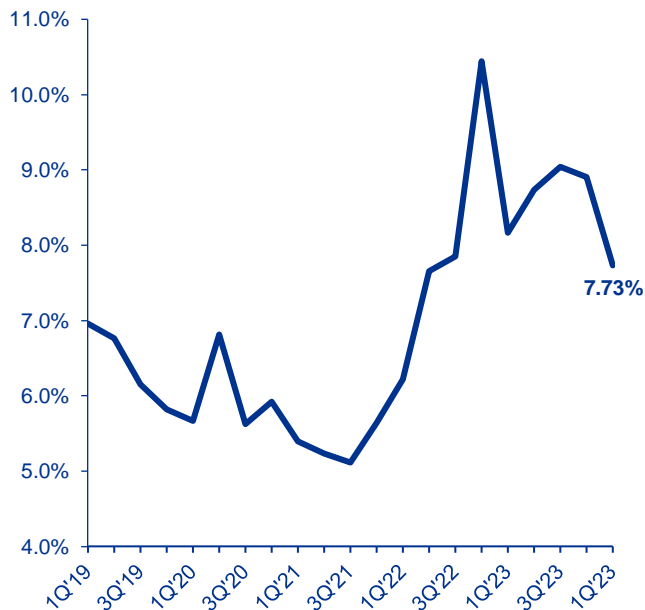


High Yield Bonds

High Yield Bond Issuance – Quarterly (\$bn)



New issue High yield Bond yield to Maturity



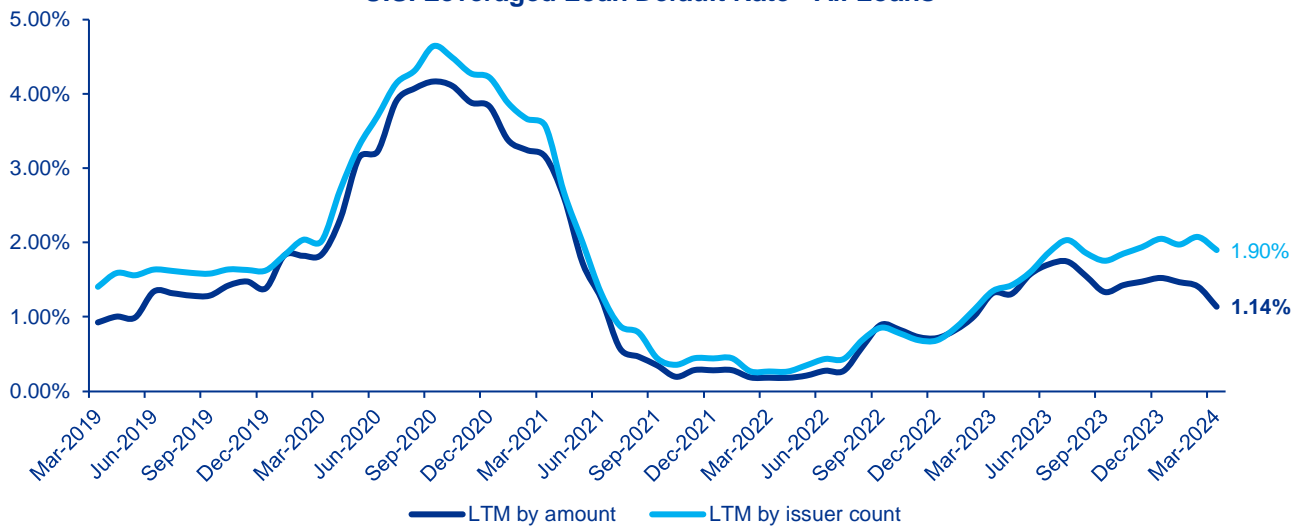
Source: PitchBook | Leveraged Commentary & Data.



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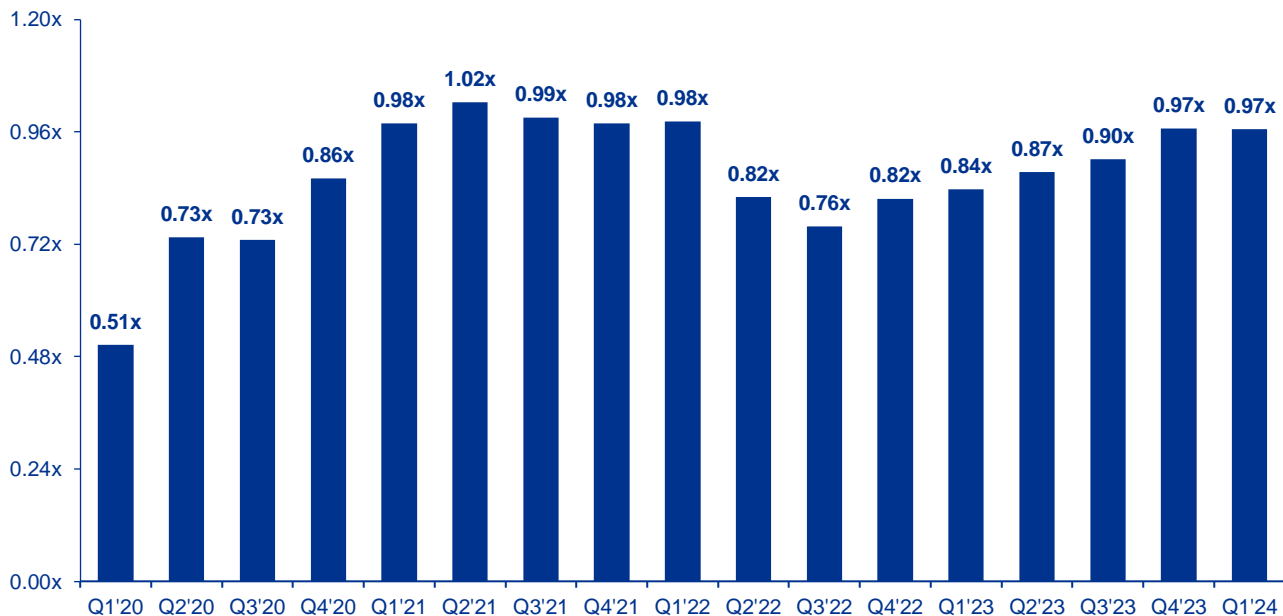
Distress and Defaults

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 Cura

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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