RAYMOND JAMES | INVESTMENT BANKING

Q4 2022

DEBT MARKET INSIGHT

IN THIS EDITION

Raymond James Capital Structure Advisory Group

Senior Team

Geoffrey Richards
Senior Managing Director
Head of Capital Structure Advisory
212.885.1885
geoffrey.richards@raymondjames.com

Robert Schwarz
Managing Director
Head of Private Debt Placements
212.885.1806
rob.schwarz@raymodjames.com

Jeff Groves
Managing Director
212.885.1886
jeff.groves@raymondjames.com

Adam Kauffman
Managing Director (Toronto)
416.777.7145
adam.kauffman@raymondjames.com

Mike Pokrassa
Managing Director
212.885.1815
michael.pokrassa@raymondjames.com

Jacob Czarnick
Managing Director
212.885.1805
jacob.czarnick@raymondjames.com

Rich Klein
Managing Director
212.672.6823
rich.klein@raymondjames.com

Marsha Zebley
Vice President
Head of Business Development
212.856.4888
marsha.zebley@raymondjames.com

Extensive transaction experience(1)

100+	$3.5bn	1,000+	200+
Capital raises	Capital raised in last 12 months	Capital relationships	Restructuring transactions

- APEX — Has been acquired by Morgan Stanley Capital Partners — Supported by debt financing arranged by Raymond James
- CFG Caribbean Financial Group — Senior secured credit facility arranged by Raymond James
- The Halifax Group — Has made a majority investment in Milestone — Supported by a senior credit facility arranged by Raymond James
- Viva Air — Sale of minority stake to Cartesian capital group
- T.D. Williamson — Has received a strategic investment from SCF Partners — Exclusive Financial Advisor
- Southern Siding Company — *A portfolio Company of* The Halifax Group — Debt Financing
- american natural — A portfolio company of Tiger Infrastructure Partners — Preferred Equity Financing
- BEL USA — A portfolio company of Comvest Partners — Debt Financing
- Reverence Capital Partners — Has made a majority investment in Ministry Brands — Supported by a senior credit facility arranged by Raymond James
- afr furniture rental — Has completed a recapitalization in conjunction with J.P.Morgan Global Alternatives
- GOOD west — A portfolio company of Palladium Equity Partners — Debt Financing
- A portfolio company of Aterian Investment Partners — Debt Financing
- GreyLion — Has partnered with Norwood Sawmills — Supported by a senior credit facility arranged by Raymond James
- cabi — A portfolio company of Sentinel Capital Partners — *Financial Advisor to the Company*
- Emtec Business & Technology Empowered — Refinancing transaction completed with debt and equity provided by Prudential Private Capital

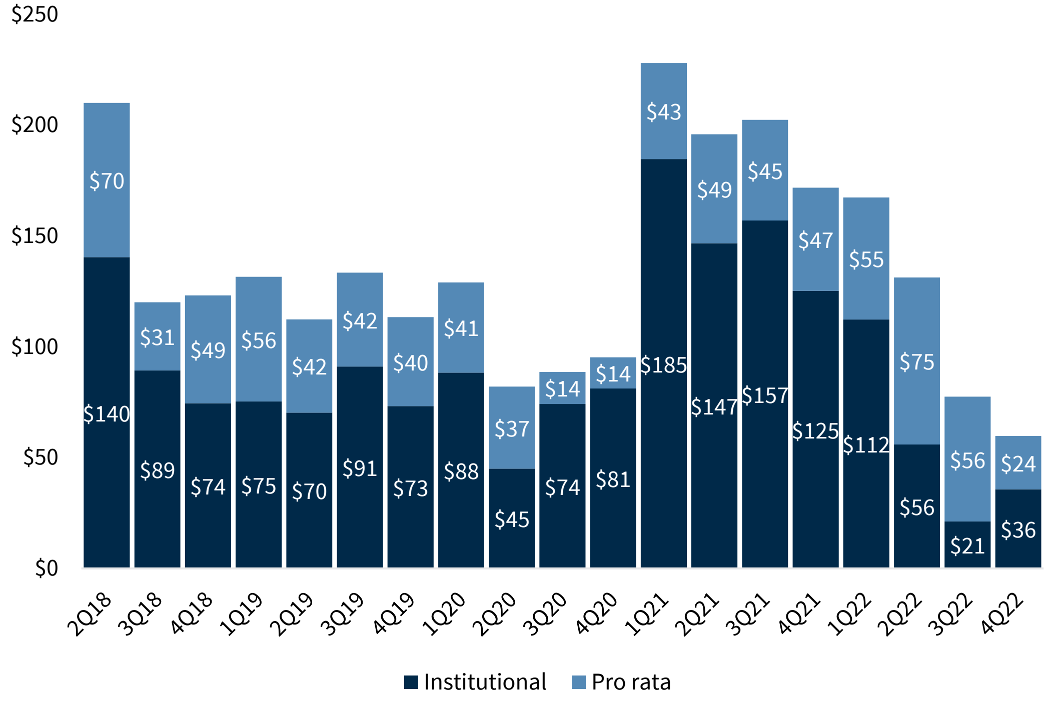
(1) Statistics as of September 2022. Tombstones reflect representative transactions completed between 3/31/2021 – 1/31/2022

Section 1: Broadly Syndicated Loans

US Leveraged Loan Volume

($'s in billions)

Quarterly US Leveraged Loan Volume



Annual US Institutional Leveraged Loan Volume

- Institutional leveraged loan issuance grew modestly to $35.7 billion in the fourth quarter from $21.2 billion in the third quarter as market tone stabilized, and refinancing activity hit a 12-month high
- Total US leveraged loan issuance, including pro rata credits, was $60 billion vs $77 billion in the prior quarter, as a downturn in pro rata market activity offset a modest increase in institutional issuance

- While up quarter-over-quarter, modest new issue volume cemented 2022 as one of the slowest years on record with $225.1bn in the books – a 12-year low and a 63% decline from the all-time high of $614.6 billion in 2021

Source: Leveraged Commentary and Data. Data through December 31, 2022

4Q22 Institutional New-Issue Loan Volume

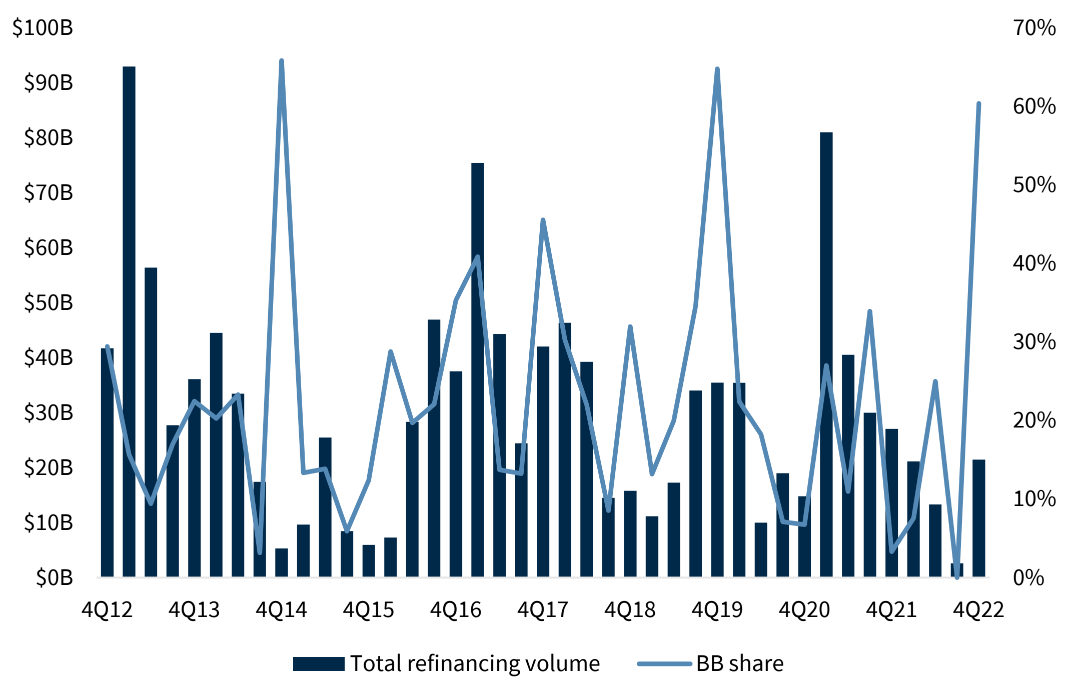
	4Q22	Historical comparison	Five-year quarterly comparison
BB rated	$17.6B	Highest since 4Q21	$17.0B
Refinancing	$21.5B	Highest since 4Q21	$26.5B
Dividend recap	$0.5B	Second lowest since 1Q16 (behind 3Q22)	$9.3B
Sponsored	$9.9B	Lowest since 3Q09	$58.4B
LBO	$2.1B	Lowest since 1Q10	$24.8B
All M&A (sponsored & non-sponsored)	$12.8B	Lowest since 2Q10	$53.0B
Total	$35.7B	Second lowest in 10 years (Behind 3Q22)	$93.6B

- BB rated borrowers and refinancing activity drove volume in the fourth quarter – both of which were at the highest levels since the fourth quarter of 2021. However, continued declines in overall M&A and dividend recap activity kept growth muted in the leverage loan market
- Loan issuance in the fourth quarter of 2022 was the second slowest quarter in the past 10 years as investors shunned risk amid economic uncertainty, headline inflation numbers and spiking interest rates. However, new issuance was up slightly on a sequential basis, and an improving secondary market helped to end the year with a more stability

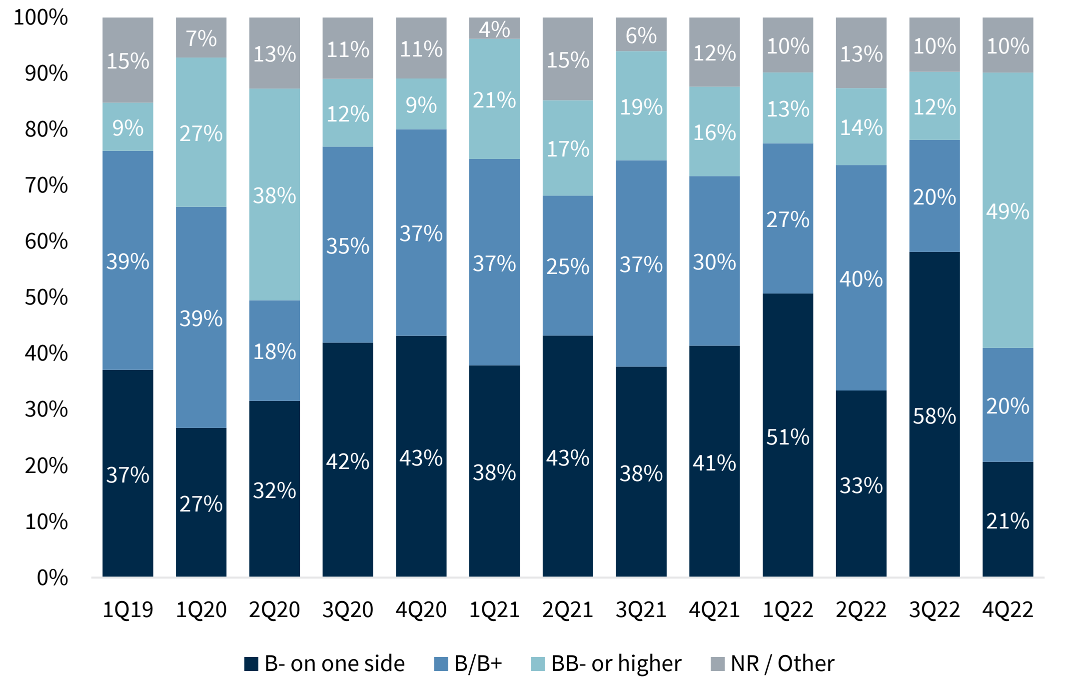
Source: Leveraged Commentary and Data. Data through December 31, 2022

Refinancings / Borrower Risk Ratings

Refinancing Related Loan Volume & BB Rated Borrower Share[1]



U.S. Leveraged Loan Issuance by Borrower Rating



- Refinancing volume jumped to $21.5 billion in the 4Q22, the highest since 4Q21, as BB rated borrowers pushed maturities of TLB paper coming due in 2023 through 2025
- BB rated issuers accounted for 60% of refinancing volume in 4Q22, which is the highest since 4Q19
- Despite the uptick in 4Q22, total refinancing volume in 2022 of $58.6mm was the lightest since 2015 when there was just $49.6bn of volume

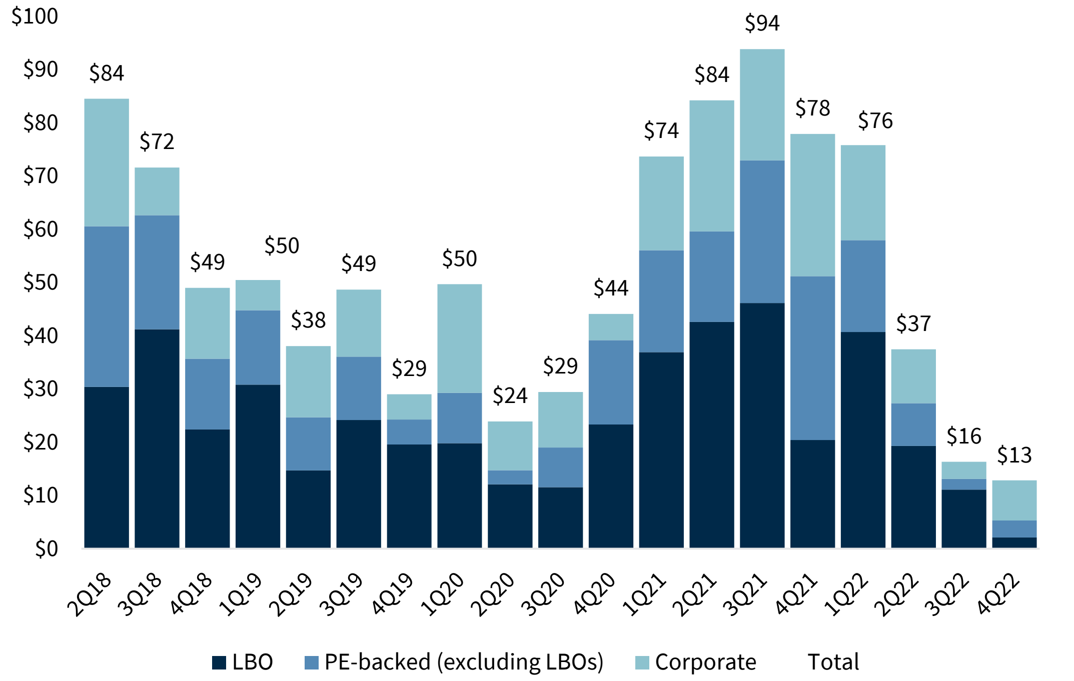
- Overall, 49% of new-issue volume in 4Q22 was from BB rated borrowers, while those with at least one B-minus equivalent rating accounted for only 21%
- For historical context, BB rated share is the highest since the Global Financial Crisis, and B-minus share has slumped to its lowest level in five years

Source: Leveraged Commentary and Data. Data through December 31, 2022
(1) Amend & Extend activity is not included in refinancing volume

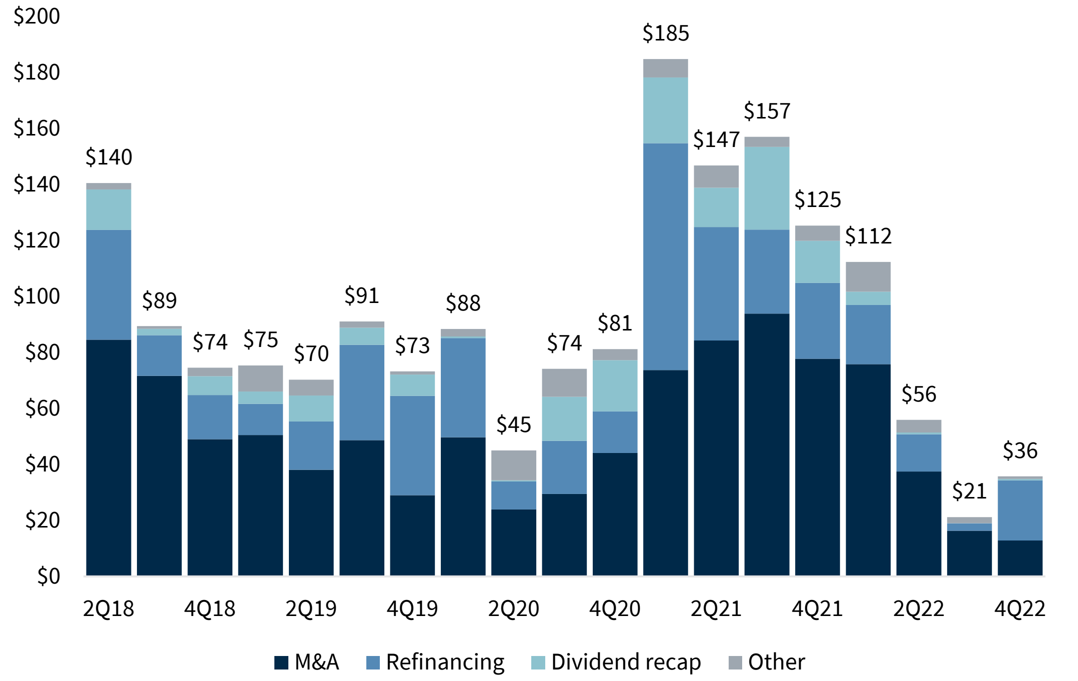
M&A and Opportunistic Activity

($'s in billions)

U.S. Institutional Loan Volume Backing M&A



U.S. Institutional Volume by Proceeds



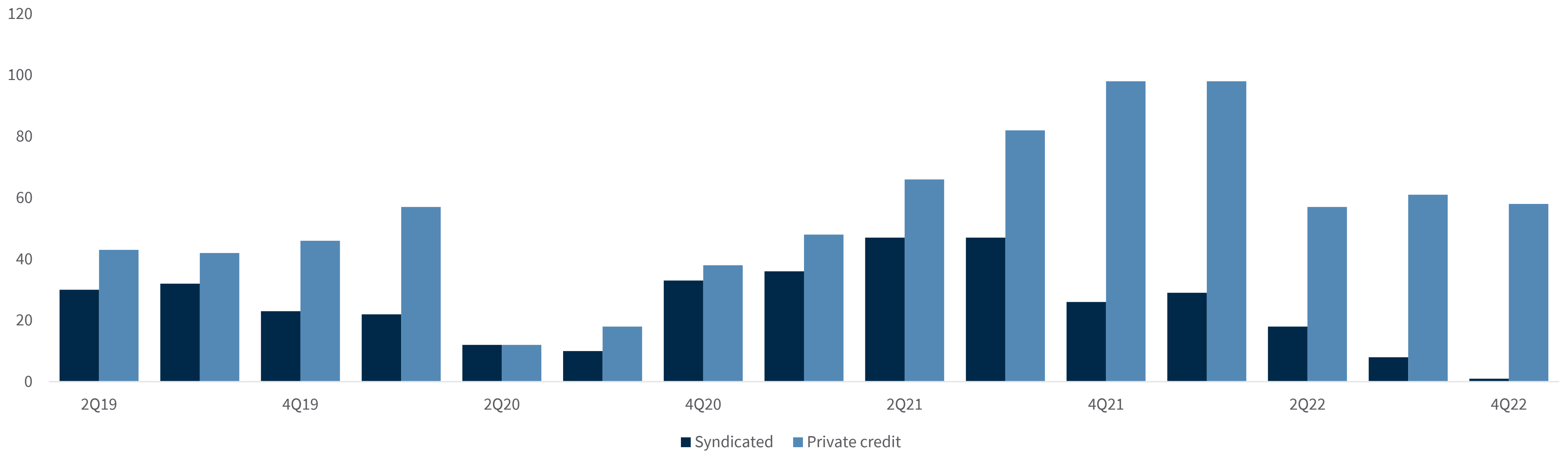
- Total M&A volume of $12.8 billion was the lowest since 2Q10, and just a fraction of the 5-year quarterly average of $53 billion
  - Further underscoring the tilt towards high quality is that two BB rated deals accounted for 37% of the M&A 4Q22 total
- LBO volume slowed to a trickle at $2.1 billion, the lowest since 1Q10 and the third straight decline since $40.7 billion in 1Q22
- Sponsored issuance of any kind in 4Q22 was at the slowest level since 3Q09

- As higher quality issuers dominated the landscape with refinancing transactions in the fourth quarter, M&A deals and those from borrowers at the lower rungs of the credit scale were marginalized
- Refinancings, M&A, dividend recaps, and other accounted for 60%, 36%, 1%, and 3% of total fourth quarter volume, respectively

Source: Leveraged Commentary and Data. Data through December 31, 2022

Broadly Syndicated vs Private Credit Markets

Count of LBOs Financed in BSL vs Private Credit Markets

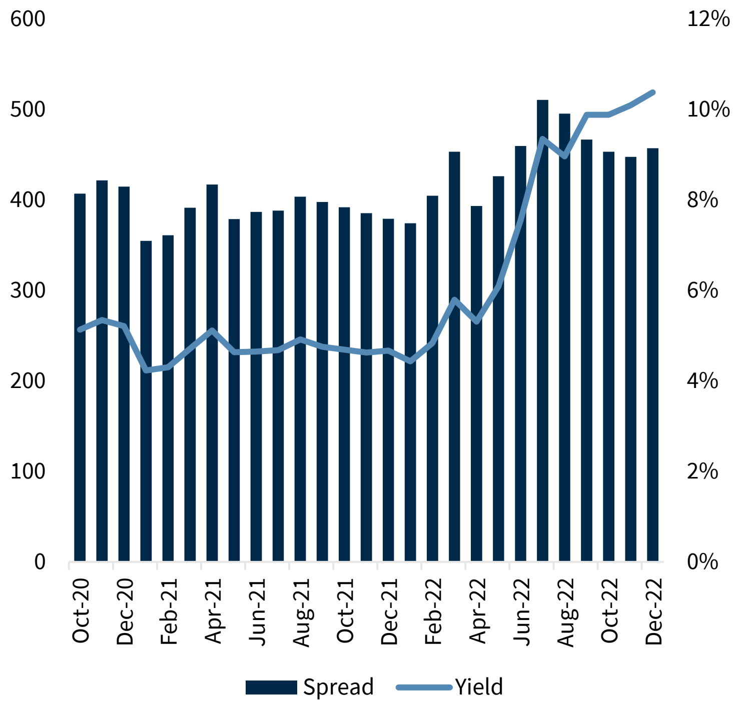


- In comparison to the broadly syndicated loan market which essentially shut down in 4Q22, buyout activity in the private credit market remained brisk in the fourth quarter, including the core middle market
- Moreover, a theme that became more evident in 2022 is that of private lenders stepping in to support large LBOs amid the disruption in the broadly syndicated loan market, which was evident still in the fourth quarter as direct lenders provided financing commitments for transactions including the $8 billion take-private of Coupa Software and the $4 billion LBO of KnowBe4, among others

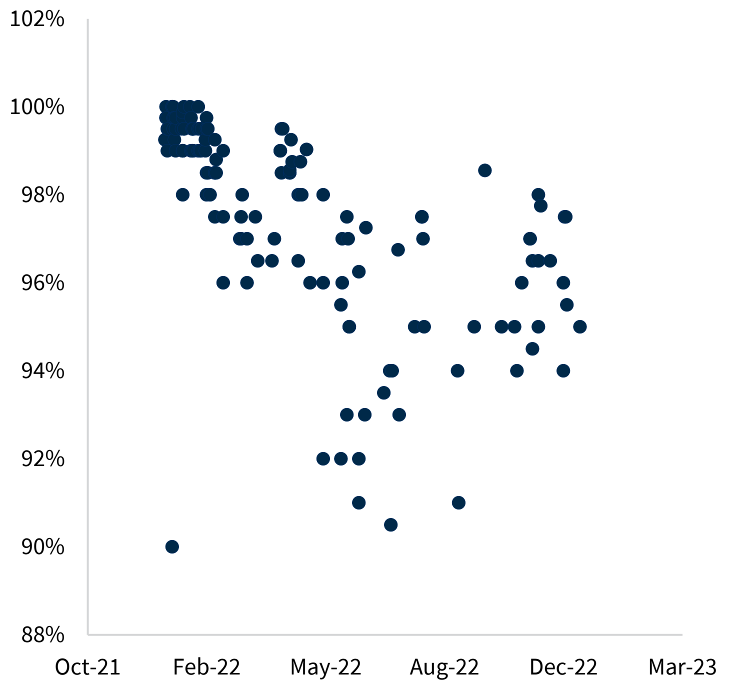
Source: Leveraged Commentary and Data. Data through December 31, 2022

New Issuance Economics

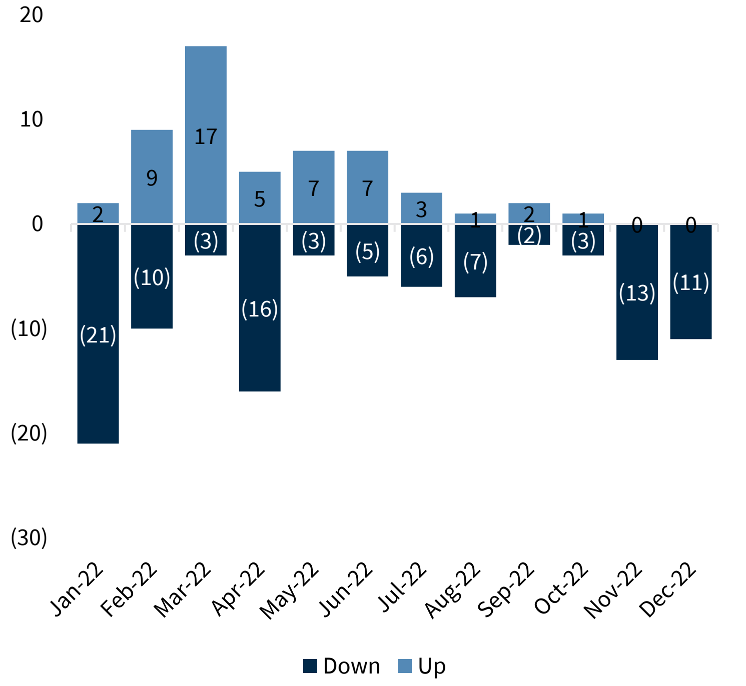
New-issue spread and yield-to-maturity of B/B+ loan borrowers



Term loan new-issue price, borrowers rated B/B+



Term loan new-issue price, borrowers rated B/B+

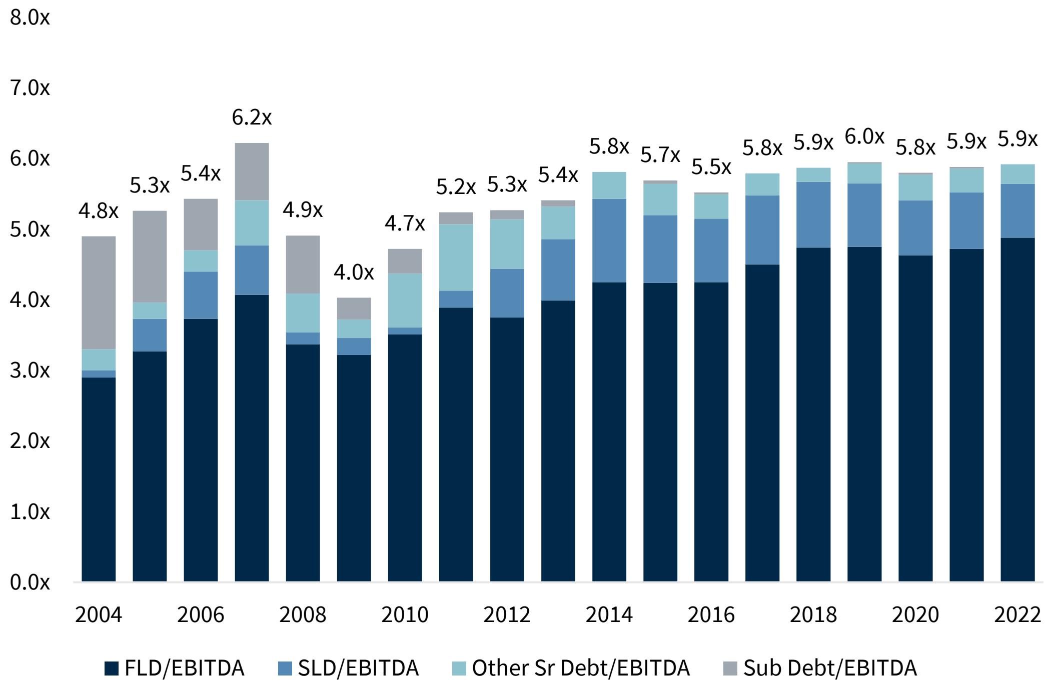


- While new issues spreads for B/B+ borrowers declined to 4.57% in December from 5.10% in July, yields due to deeply discounted OIDs and higher base rate reached 10.4% in December, a post GFC high, up from 9.9% in 3Q22 and 7.6% in 2Q22
- For B/B+ borrowers, new issue prices stretched into the lower 90s in the summer, though recovered in 4Q22 with none below 94
- In sign of a thawing primary market, price flexes in the past three months had tightened terms for 27 deals, while pricing was forced wider just once

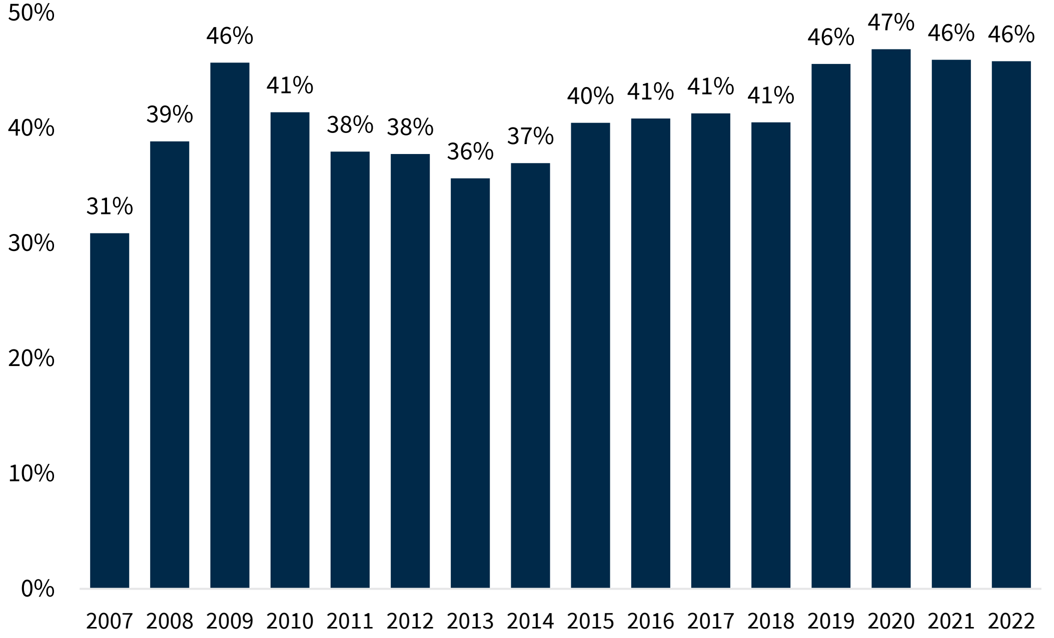
Source: Leveraged Commentary and Data. Data through December 31, 2022

Leverage Statistics

Average Debt Multiples of Large Corporate LBO Loans



Equity Contribution for Large Corporate LBOs

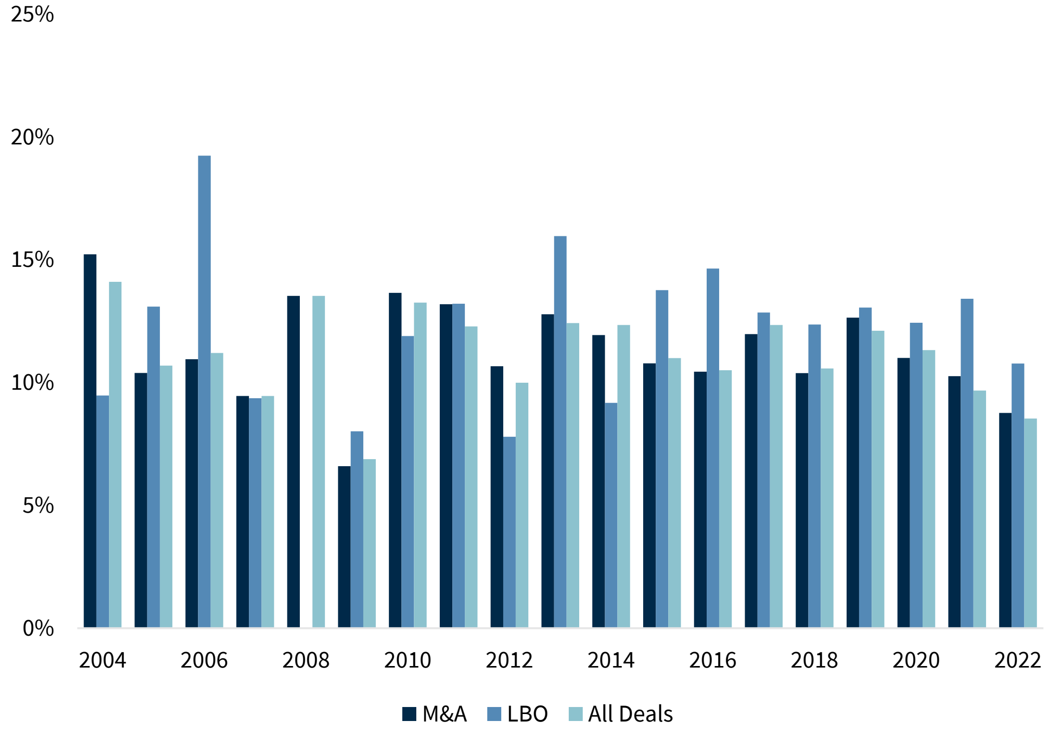


- Average debt multiples of large corporate LBOs have remained relatively stagnant just below 6.0x EBITDA since 2019
- Equity contributions have remained flat over the past few years, sitting just above 45% since 2019

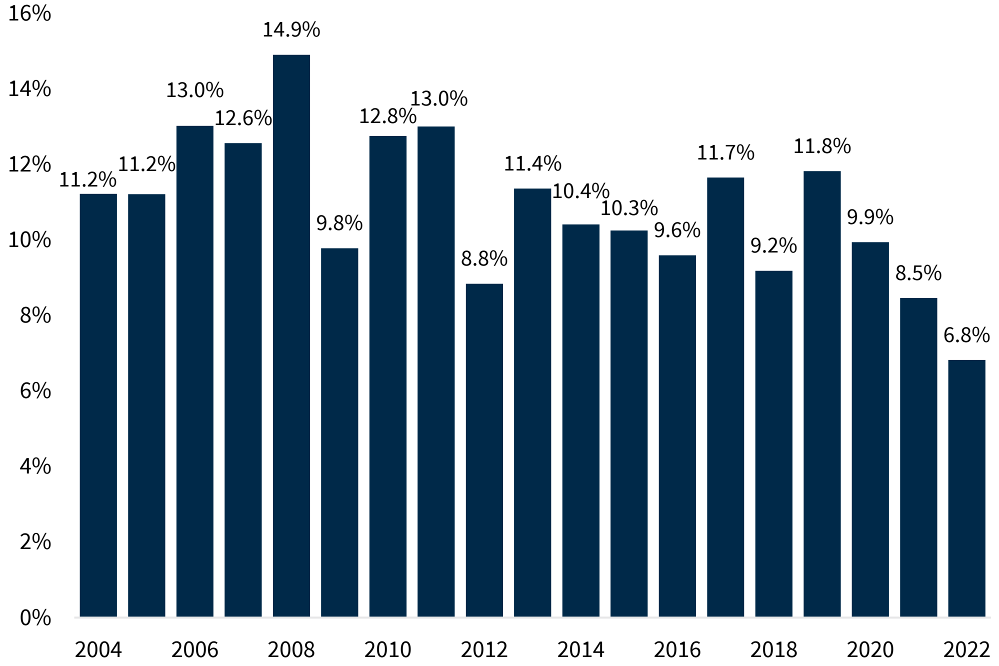
Source: Leveraged Commentary and Data. Data through December 31, 2022

EBITDA Adjustments and Synergies

Adjustments as a Percent of EBITDA



Average Synergies/EBITDA Ratio for Acquisition-Related Transactions(2)



- Adjustments as a percentage of EBITDA has been steadily decreasing on an aggregate basis over the course of the past few years
- In 2022, adjustments as a percentage of EBITDA reached its lowest level since 2009 amidst the Great Financial Crisis

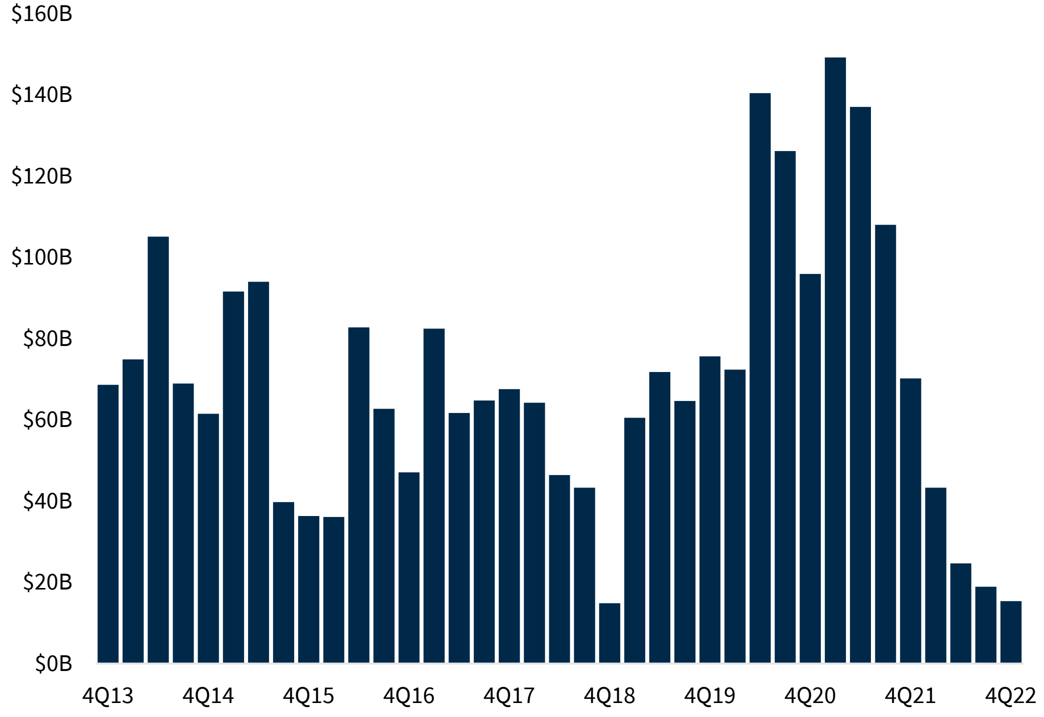
- The average synergies/EBITDA ratio has trended downwards from 11.8% in 2019 to 6.8% in 2022, the lowest level on record as underwriters establish more stringent requirements for synergies and other EBITDA adjustments

Source: Leveraged Commentary and Data. Data through December 31, 2022

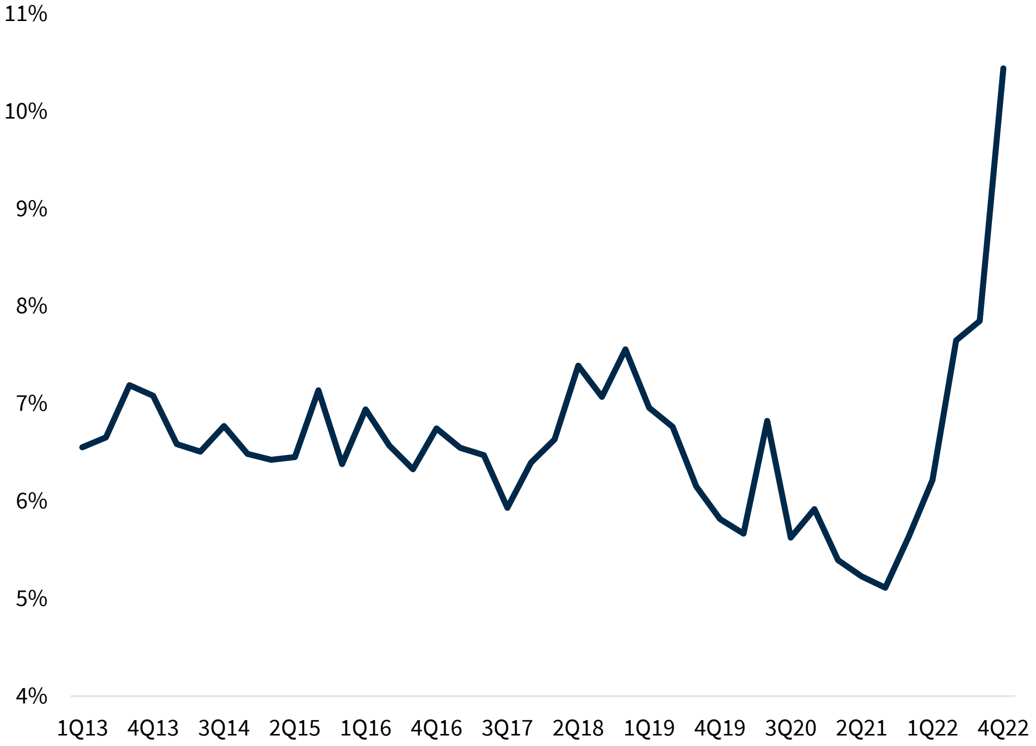
Section 2: High Yield

High-Yield Bonds

U.S. High-Yield Bond Volume



New-issue yields for US high-yield bonds



- High-yield bond volume has seen a steep and steady decline throughout 2022 and this trend continued in 4Q22, unlike the relative bounce in institutional loan volume
- 4Q22 issuance totaled just $15.4 billion vs $70.2 billion and $96.0 billion in 4Q21 and 4Q20, respectively

- Yields in the high yield markets rose considerably in 2022, in 4Q22 alone there was an increase from 7.85% to 10.44%

Source: Leveraged Commentary and Data and St. Louis Fed Economic Research. Data through December 31, 2022

Section 3: Private Debt

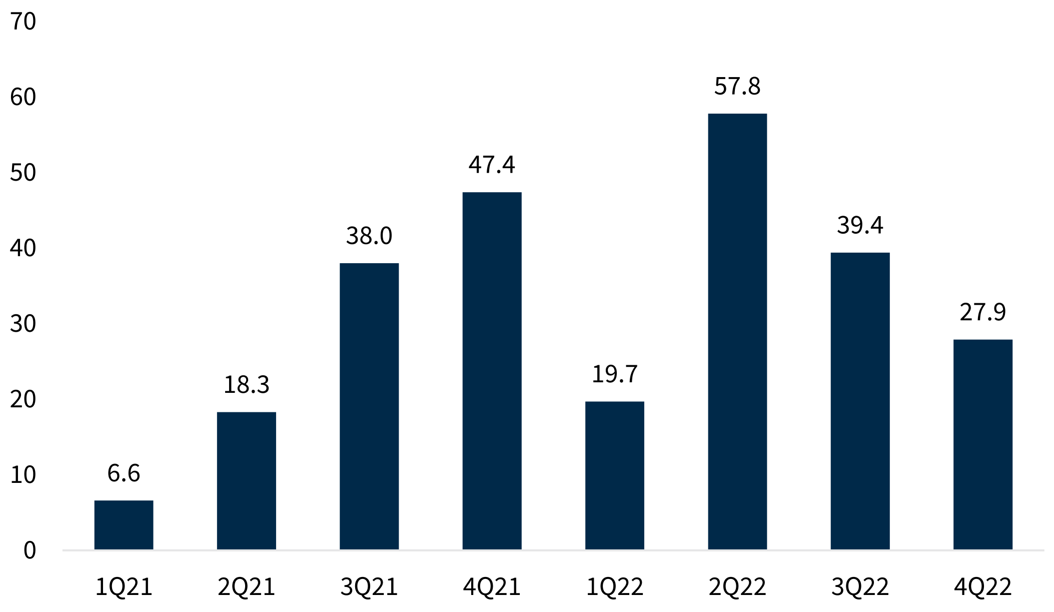
Key Stats: Full Year 2022 / Fourth Quarter

	2022	2021	4Q22	4Q21
Total Volume	$144.8	$110.3	$27.9	$47.4
# Deals	615	422	99	127
Average EBITDA	$44.0	$52.0	$50.5	$50.0
Jumbo Volume	$60.2	$48.7	$9.9	$23.4
Jumbo Average Size	$1.6	$1.4	$1.2	$1.4
LBO Volume	$71.8	$55.4	$18.1	$22.6
Unitranche Volume	$90.5	$75.9	$16.9	$33.5
Unitranche Spread Average	591	571	642	540
Unitranche Leverage Average	5.9x	5.7x	5.4x	5.9x
LMM Volume	$10.5	$4.5	$0.9	$1.9
LMM # Deals	197	47	27	18
LMM Spread Average	586	536	617	514
LMM Senior/Total Lev Average	3.9x / 4.1x	4.2x / 4.6x	3.7x / 3.8x	4.6x / 5.2x

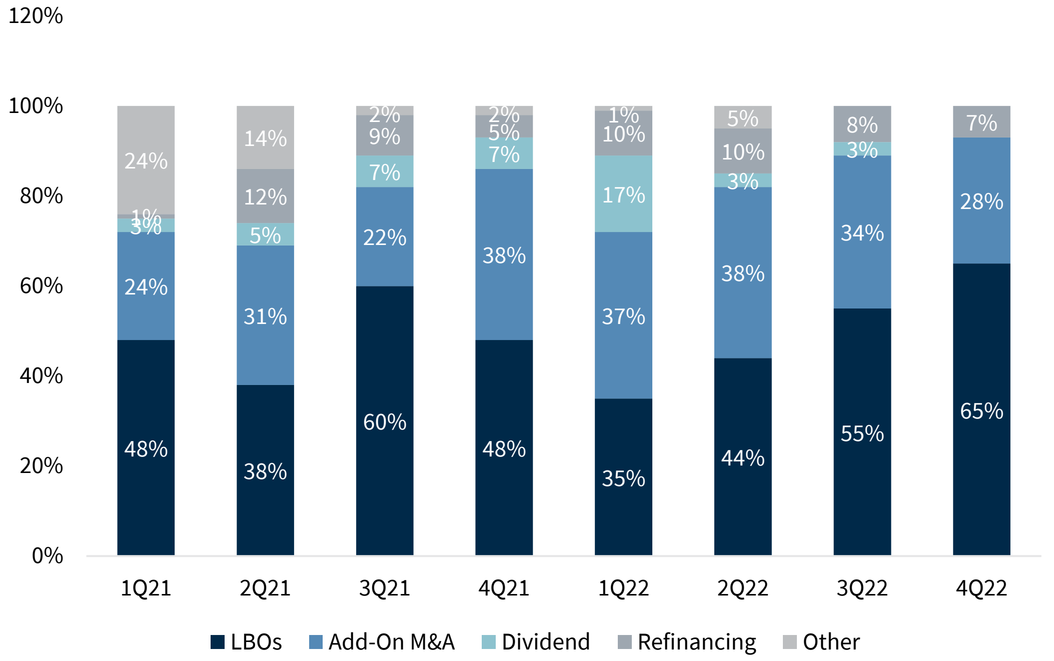
Source: Direct Lending Deals (calculated based on rolling 90 days data). Data through December 2022
Note: Billions ($B) except # of deals and where noted otherwise; Total Volume = new money raised; Deals = transaction; Jumbo defined as >=$1B loan size; LMM = Lower Middle Market defined as <$20M EBITDA

Volume and Use of Proceeds

Quarterly Origination Volume



Quarterly Volume by Proceeds



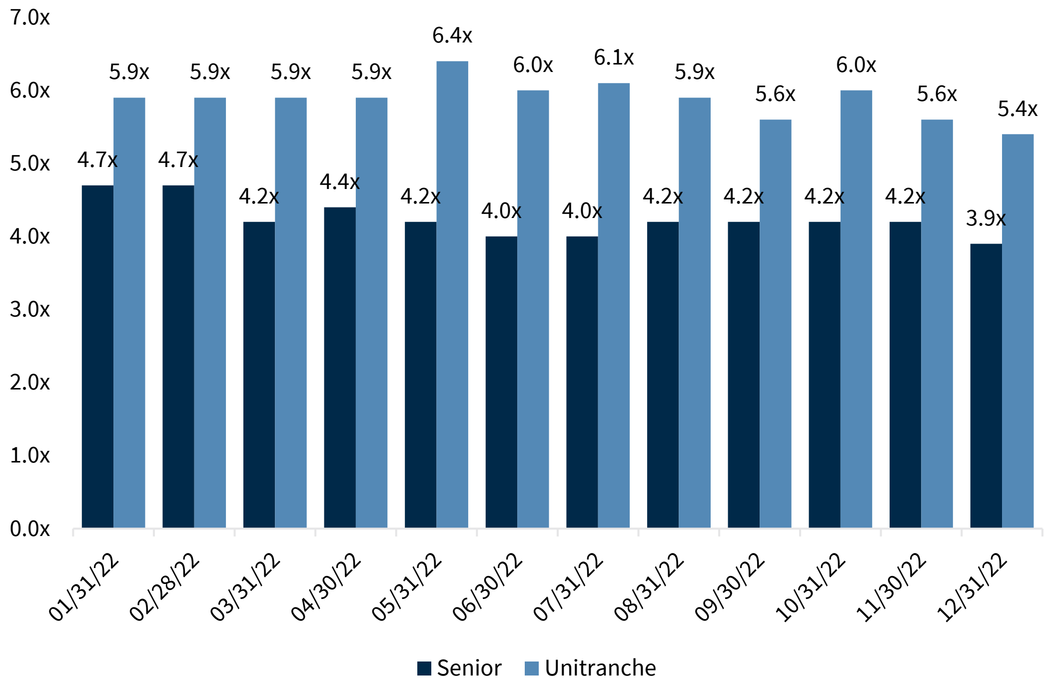
- Private debt volume in 2022 was $144.8 billion, up from $110.3 billion in 2021, with two key trends driving the 31% increase: (i) jumbo loans took a larger share and (ii) private market remained open while volatility shut down the syndicated loan and high yield markets
- 4Q22 private debt volume declined 29% q/q to $27.9 billion due to declines across jumbo deals; however, private debt is expected to continue to take market share in 2023 as liquid credit remains fragile

- Thin volume and $9.9 billion of jumbo loans boosted LBO share to 65% in 4Q22, the largest share since DLD began tracking data
- M&A calendar has been sluggish as sponsors are working with less leverage and sellers are experiencing lower valuations
- Including all add-on deals, all M&A accounted for >90% of volume and the remainder comprised refinancings, with no dividend recaps reported

Source: Direct Lending Deals (calculated based on rolling 90 days data). Data through December 2022

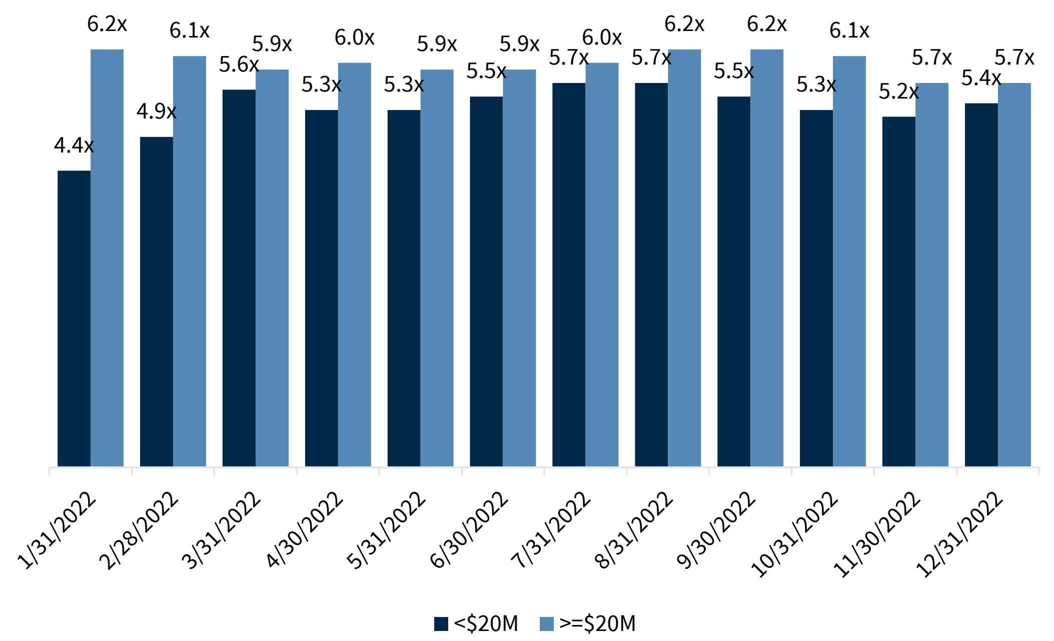
Average Leverage Multiples

LBO Leverage



Rolling 90-day average

Unitranche Leverage <$20M vs. >=$20M EBITDA

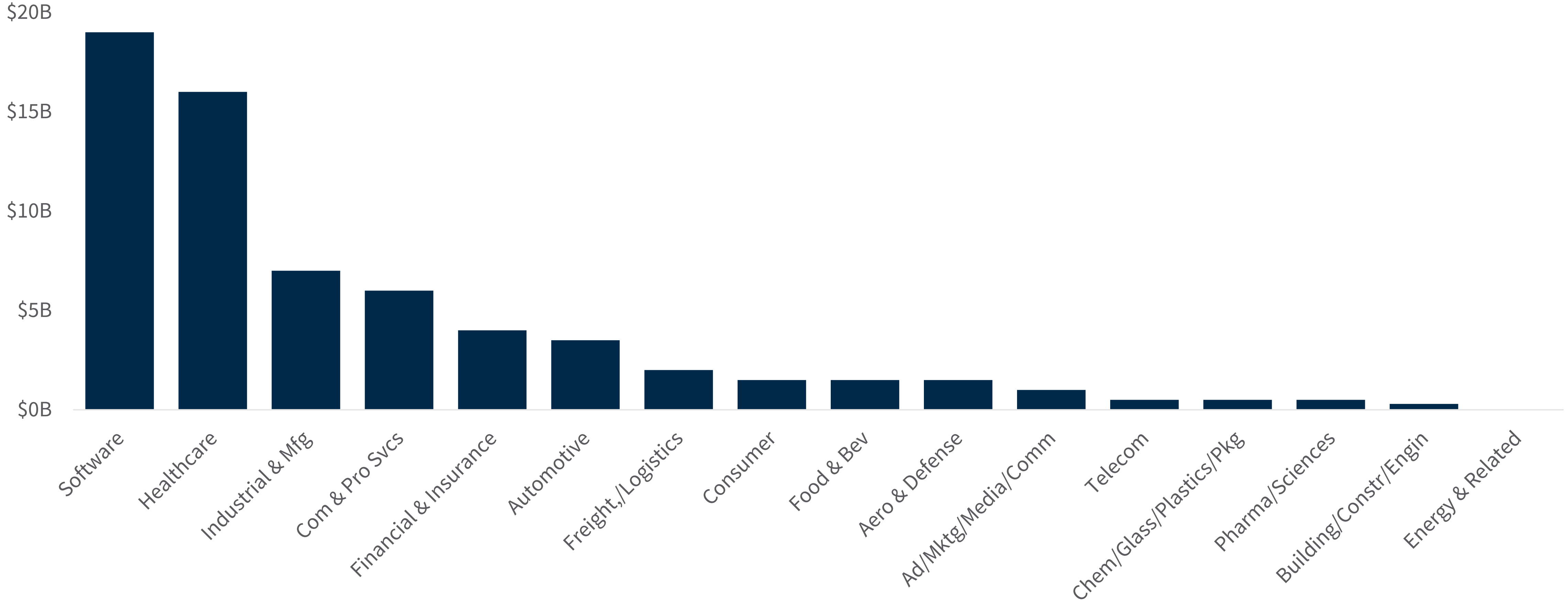


Rolling 90-day average

- Unitranche and senior debt multiples have fallen by 0.5x and 1.0x year over year, respectively, amidst lower risk appetite from lenders and higher debt service from the spike in interest rates
- Unitranche leverage multiples for <$20 million and >=$20 million EBITDA borrowers have converged most notably in 4Q22

Source: Direct Lending Deals (calculated based on rolling 90 days data). Data through December 2022

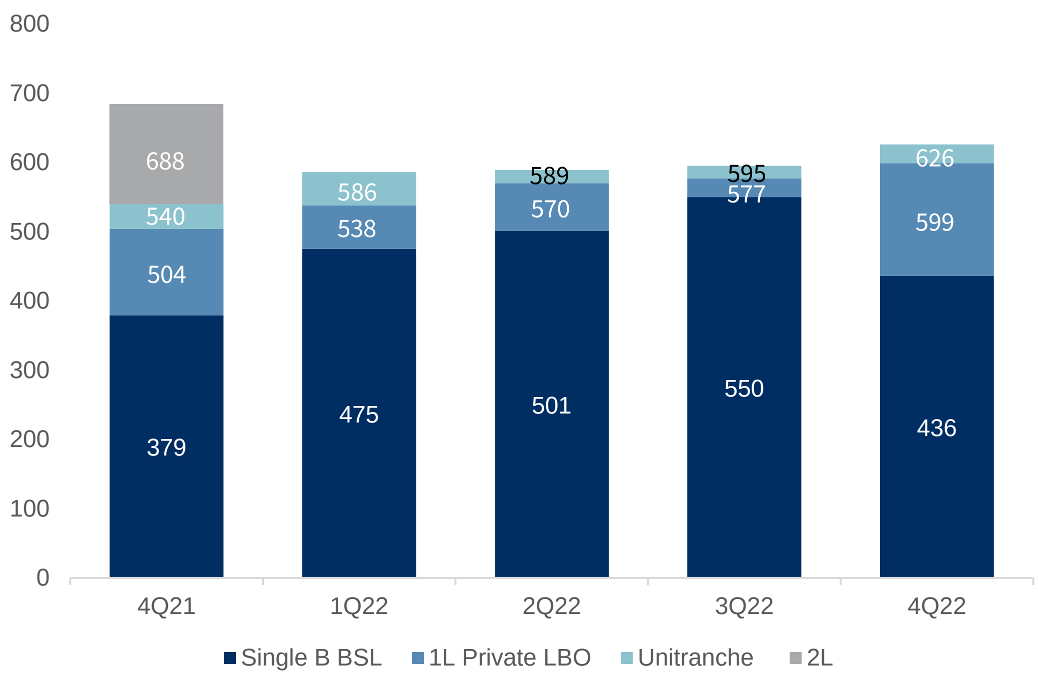
Volume by Industry: 2H2022



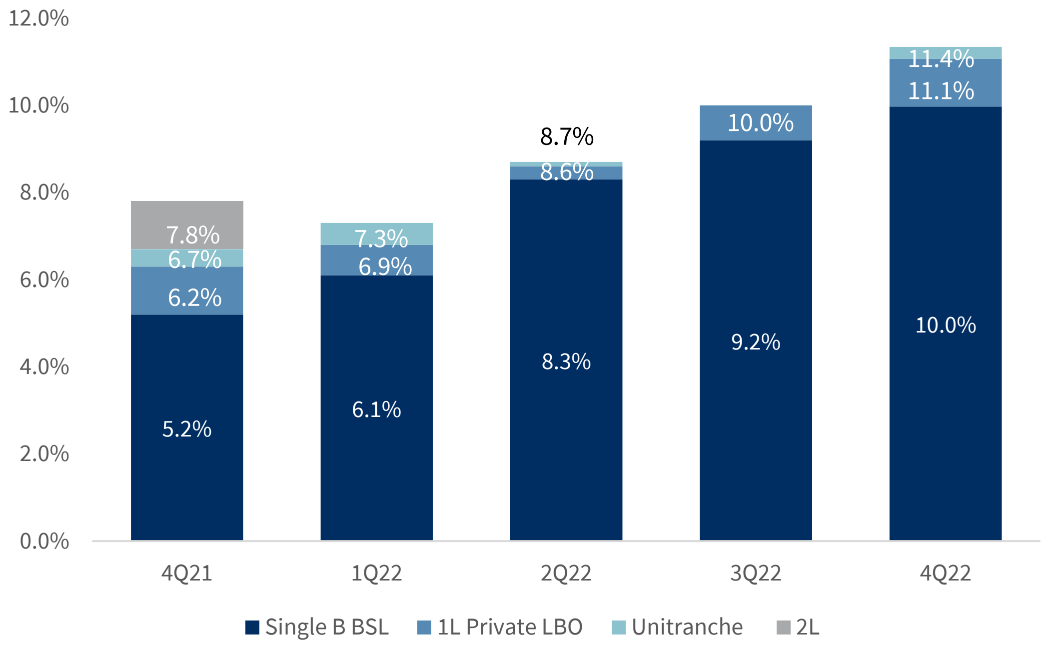
Source: Direct Lending Deals. Data through December 2022

Spreads and Yields

Average Spreads



Average Yields

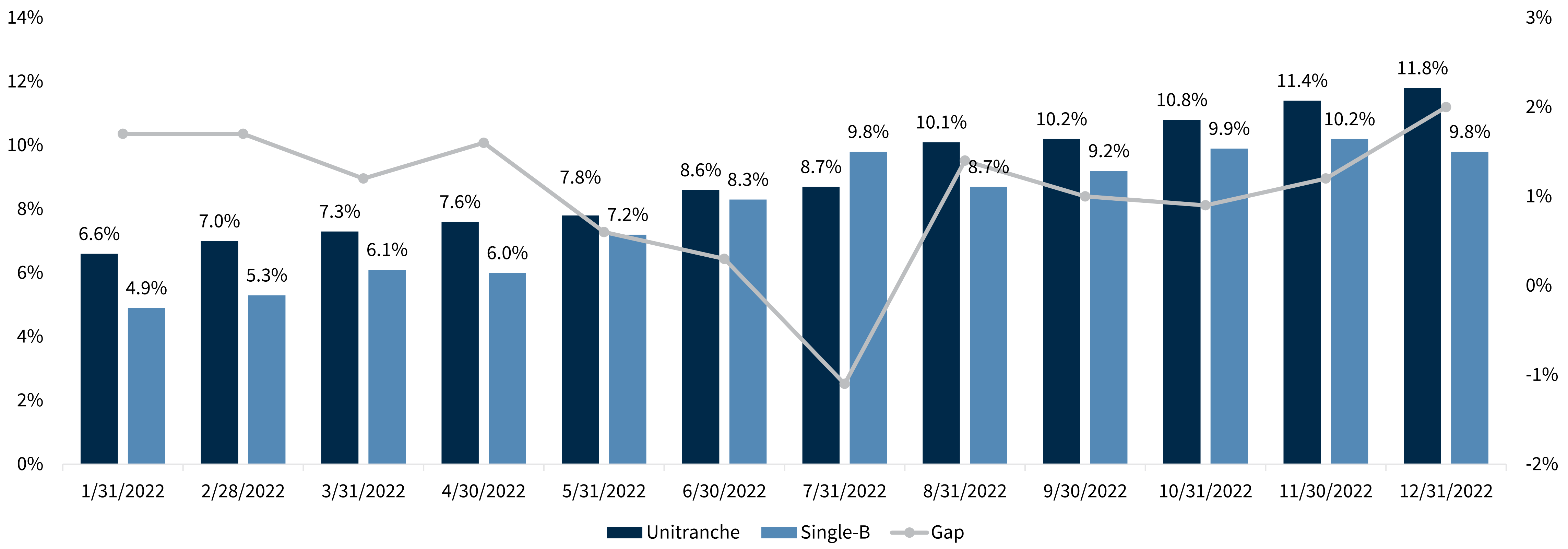


- Private spreads trended higher throughout 2022, but the trajectory was more stable and predictable than liquid credit which came down in the second half with several 90+ bps swings in spread and heavy discounting

- Higher spreads, deeper discounting, and a 50 bps Fed rate hike drove private debt yields higher in December
  - Unitranche yield grew to 11.4% from 6.7% y/y
  - Single B yield grown to 10.0% in December on refinancing activity, from 9.2%, and grew ~500 bps y/y

Source: Direct Lending Deals (calculated based on rolling 90 days data). Data through December 2022

Unitranche vs. Single-B Yields



- Over the last three months, unitranche debt has continued to have a higher cost off capital when compared to single-b debt
- Unitranche loans remain advantageous, even after climbing to a yield of 11.8% at 12/31/2022 with a differential of 200bps over single-b

Source: Direct Lending Deals. Data is for LTM December 31, 2022

Megatranche Deals

Company	Date	Arrangers	Sponsor	Size
Radwell (Incremental Amt)	Dec-22	Golub	CVC Capital	1,300
Climate Tech	Nov-22	Goldman, Sixth Street	Blackstone, Abu Dhabi, GIC	2,600
KnowBe4	Oct-22	Owl Rock, Monroe, Fortress, Blackstone, HPS, Oaktree, VCP, Carlyle	Vista Equity	1,125
VetCor	Sep-22	Golub, KKR	Harvest Partners, Cressey	3,290
Excelitas	Aug-22	Golub, Antares, Crescent	AEA	2,300
Amerilife	Aug-22	Blackstone, Owl Rock, Antares, Crescent, Stone Point	THL, Genstar	1,650
Advarra	Aug-22	Morgan Stanley	Blackstone	1,660
Avalara	Aug-22	Owl Rock, Apollo, HPS	Vista Equity	2,500
PerkinElmer unit	Aug-22	Owl Rock, Jefferies Private	New Mountain	1,000
Zendesk (Rec Rev)	Jun-22	Blackstone, Apollo, Owl Rock, HPS, Golub, KKR	Hellman & Friedman	5,000
Unified Women's Health	Jun-22	Blackstone	Atlas Partners	1,360
Bottomline Technologies	Jun-22	Ares, Golub, Stone Point, CBAM, MSPC	Thoma Bravo	1,300
Tivity Health	Jun-22	Apollo, HPS, Stone Point (SPC Finco), BSP, Owl Rock	Stone Point	1,200
Risk Strategies	Jun-22	Golub, Midcap	Kelso	950

- Direct lenders continue to demonstrate their appetite and capability to take share from the broadly syndicated market with multiple deals over $2 billion
- 18 lenders dominate jumbo financings with Blackstone, Golub, and Ares leading the pack
- More recently, lenders are showing selectivity by increasing pricing and reducing hold sizes on many transactions

All deal size amounts are in US $ millions
Source: Direct Lending Deals

USA
ATLANTA | BALTIMORE | BOSTON | CHARLOTTE | CHICAGO | DALLAS | DENVER | GREATER WASHINGTON, D.C. | HOUSTON
LOS ANGELES | MEMPHIS | NASHVILLE | NEW YORK | RALEIGH | SAN FRANCISCO | ST. PETERSBURG

EUROPE
LONDON | MUNICH | FRANKFURT

CANADA
CALGARY | TORONTO | VANCOUVER

raymondjames.com/ib

RAYMOND JAMES® | INVESTMENT BANKING

FOR INSTITUTIONAL USE ONLY