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RAYMOND JAMES | INVESTMENT BANKING

Q4 2023

DEBT MARKET INSIGHT

IN THIS EDITION

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Extensive transaction experience(1)

100+	$3.5bn	1,000+	300+
Capital raises	Capital raised in last 12 months	Capital relationships	Restructuring transactions

- CENTRE LANE PARTNERS — Amended its senior lending facilities and acquired (Diamond Products) — Lender Financial Advisor
- BURGER KING — **Premier Kings** 160+ unit Burger King® franchisee — Has been acquired by **Multiple Buyers** — Exclusive Financial Advisor
- cloudco ENTERTAINMENT — Has been acquired by IVEST CONSUMER PARTNERS — Supported by a senior credit facility arranged by Raymond James
- ACTION Dedicated — Has been acquired by PS Logistics — A portfolio company of GAMUT CAPITAL — Exclusive Financial Advisor
- 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
- GREYLION — Has partnered with NORWOOD — Supported by a senior credit facility arranged by Raymond James
- exicure — Sale of a majority stake to CHEONGBO — Exclusive Financial Advisor
- TDW 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
- afr furniture rental — Has been recapitalized by J.P.Morgan Global Alternatives — Exclusive Financial Advisor
- GOODwest — A portfolio company of Palladium EQUITY PARTNERS — Debt Financing
- cabi — A portfolio company of Sentinel CAPITAL PARTNERS — Debt Financing

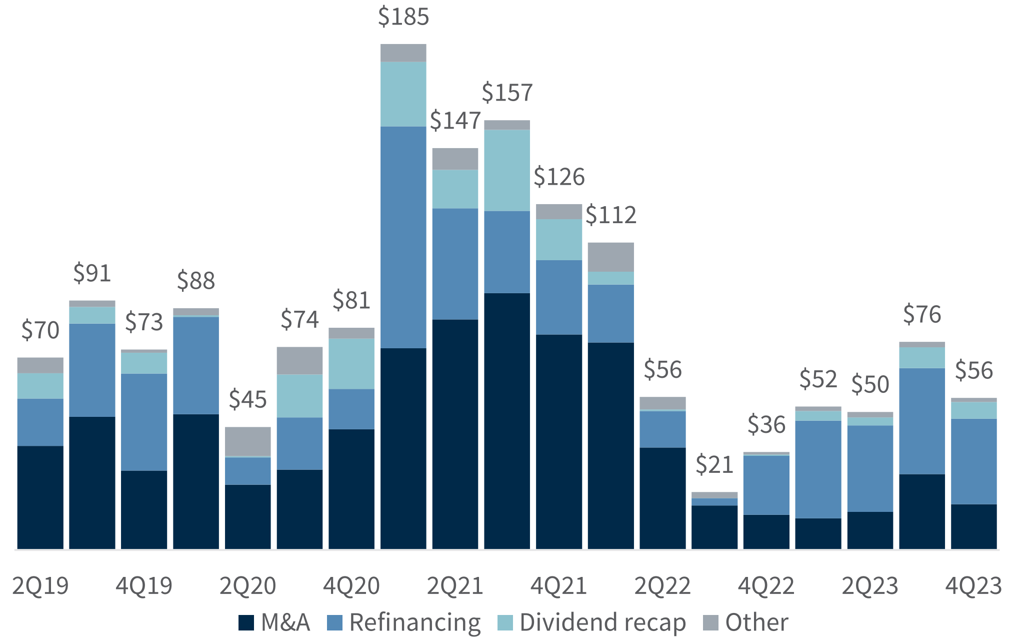
(1) Statistics as of January 2024. Tombstones reflect representative transactions completed between 8/31/2021 - 1/31/2024

Section 1: Broadly Syndicated Loans

Improving New Issue Volume and Secondary Pricing

($'s in billions)

US Institutional Volume



- 4Q23 issuance totaled $56bn, ahead of the first two quarters of 2023, but below 3Q23's $76bn which was bolstered by a surge of M&A deals in a frothy post-Labor Day window
- Refinancings grabbed record share and led the market five quarters in a row with 56% and 59% of the volume in 4Q23 and 2023, respectively
- Dividend recaps also emerged with 11% and 9% share in 4Q23 and 2023, respectively
- M&A loans remained constrained with 30% share in 4Q23 and 2023, as high rates deterred acquisition activity, leaving refinancings to take a majority of the volume

Weighted Averaged Bid of US Leveraged Loans

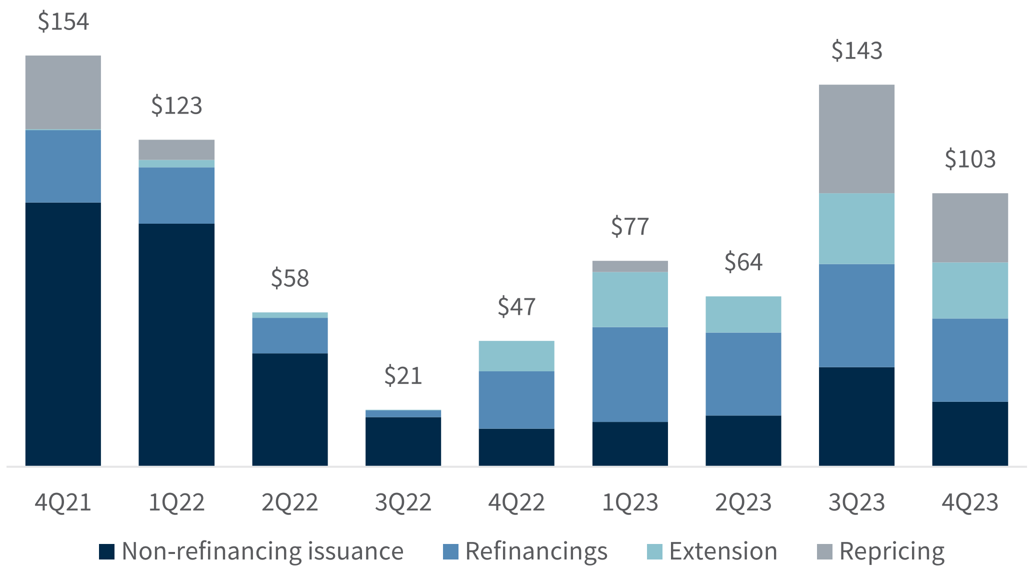
- Sustained secondary market rally in 4Q23, coupled with limited new money deals in the primary market provided a positive backdrop for the increase in opportunistic transactions
- Weighted average bid rallied to a 2023 peak of 96.23 on December 31st, recovering from one of the most volatile periods for the leveraged loan market, which saw the weighted average bid on the Index reach 91.75 in July 2022

Source: Leveraged commentary and data. Data through December 31, 2023

Refinancing, Repricing, Extension and M&A Activity

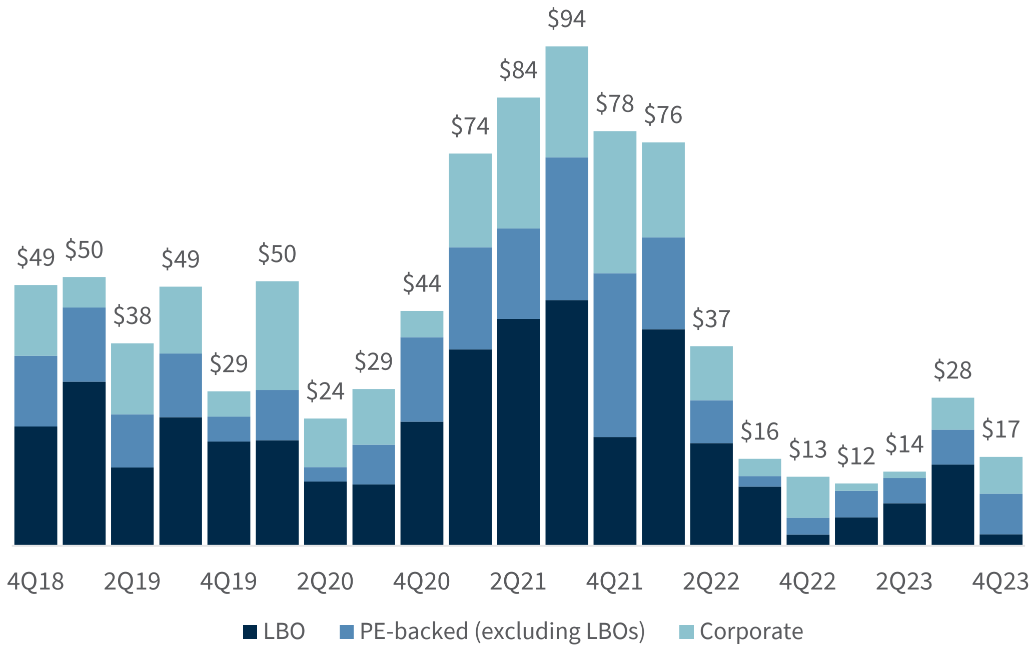
($'s in billions)

US Institutional Volume Including Repricing and Extensions[1]



- Primary market activity, including extensions and repricing's, fell to $103bn in 4Q23, down from 3Q23's seven-quarter high of $143bn
- On the back of improving market conditions, borrowers focused on extending upcoming maturities
  - Refinancings totaled $31bn, a fourth consecutive quarter with volume >$30.0bn
  - Repricing and A&E activity was the second highest since 4Q21, totaling $21bn
  - Extensions neared a post-GFC high at $21bn, down slightly from Q323's $27bn
- Non-refinancing activity of $24bn was the second highest since 2Q22

U.S. Institutional Loan Volume Backing M&A

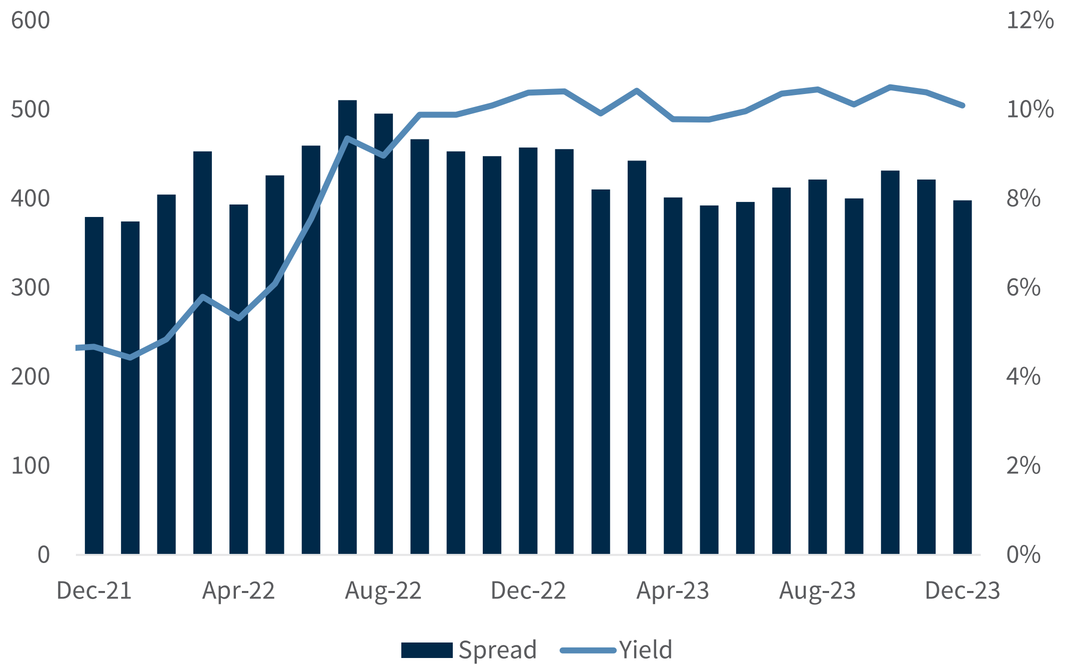


- Total LBO/M&A loan volume fell to $17bn in 4Q23, following a five-quarter high of $28bn in Q323
- LBO loans totaled $2bn, settling at the lowest level since the same period in 2022
  - LBO loans represented just 13% of the volume, down from 55% in 3Q23
- Acquisitions by private equity-backed companies totaled $8bn, the most since Q222
- Corporate M&A was also up, at a four-quarter high of $6.9bn

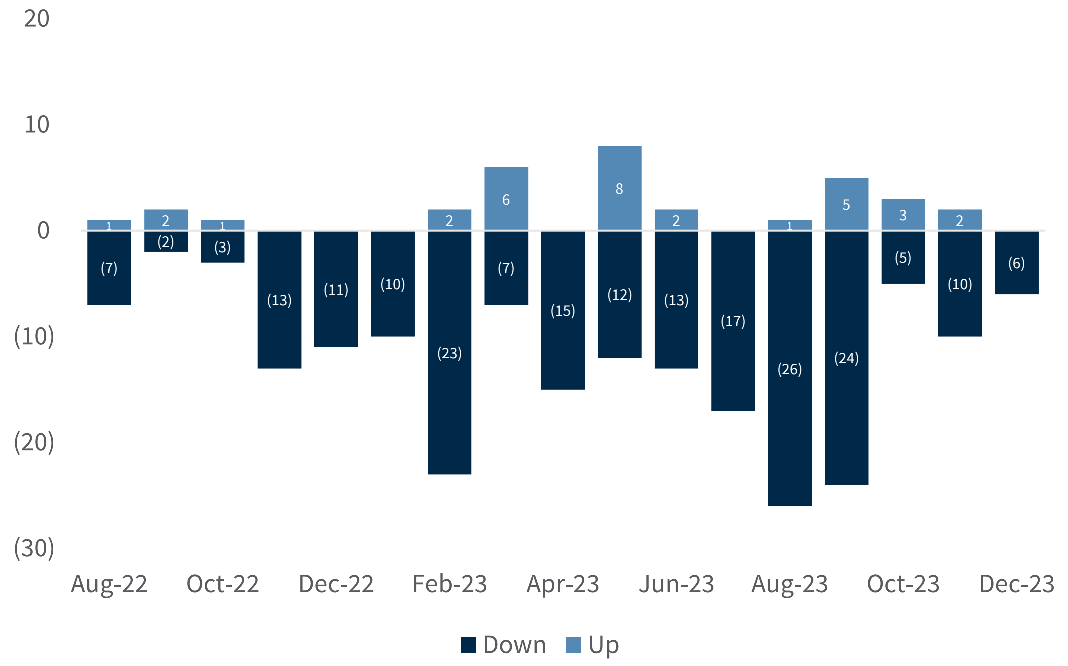
(1) Total volume includes repricings and extensions via an amendment process (vs. new issuance)
Source: Data through December 31, 2023

New Issuance Economics

New-Issue Spread and Yield-to-Maturity of B/B+ Loan Borrowers



Count of leveraged loan flexes



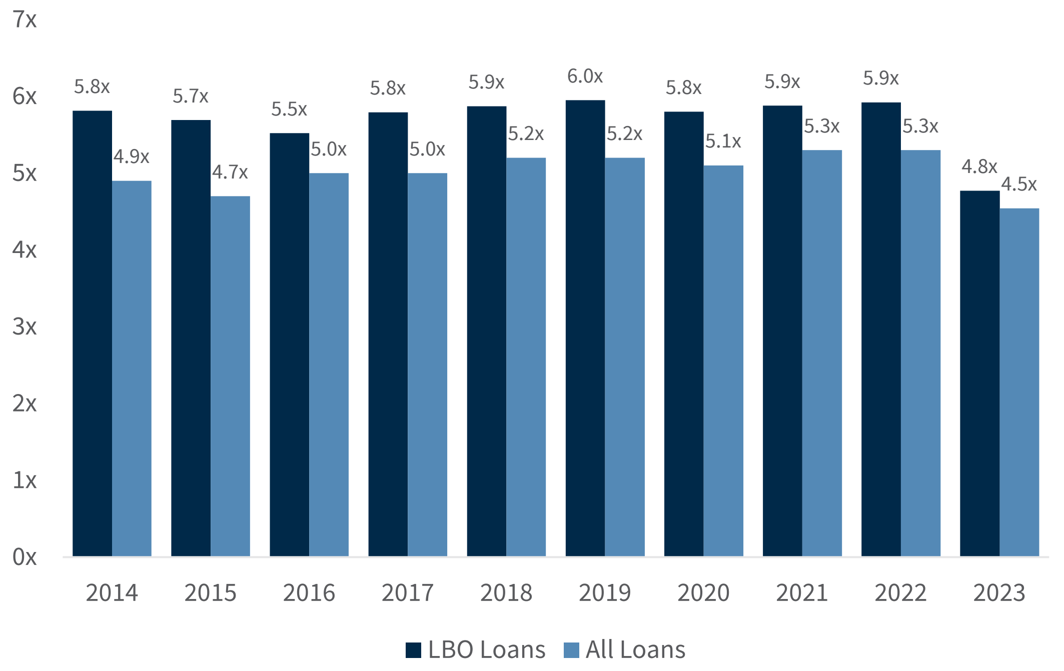
- New issue spreads declined in 4Q23 on the back of a sustained secondary market rally
- The average new-issue spread for B/B+ rated issuers was 397 bps in December 2023, down 59 bps vs. the 457 bps in December 2022 and relatively flat when compared to the 400 bps average of September 2023
- The average new-issue yield for B/B+ rated issuers was 10.0% in December 2023 versus 10.4% y/y and 10.1% q/q

- Given reduced clearing levels for new issues, price flex activity continued to favor issuers in 4Q23
- Pricing tightened during syndication for 21 tranches while pricing widened on just 5 tranches in 4Q23, favoring borrowers less than in 3Q23, when 67 deals tightened versus 5 pushed wider

Source: Leveraged commentary and data. Data through December 31, 2023

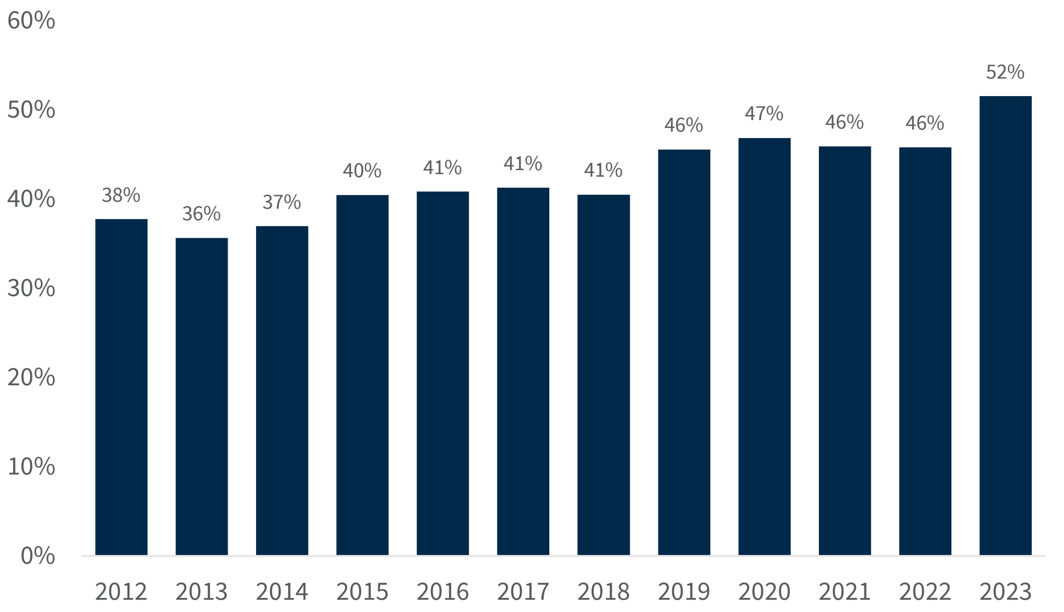
Leverage Statistics

Average Debt Multiples of Large Corporate Loans



- Average debt multiples of large corporate LBOs have remained relatively constant over the last few years at around ~5.8x; however, 2023 saw a substantial dip to 4.8x, reaching the lowest value since 2010
- Looking at the overall market, average debt multiples declined to 4.5x in 2023, the lowest level since 2011's 4.4x

Equity Contribution for Large Corporate LBOs[1]

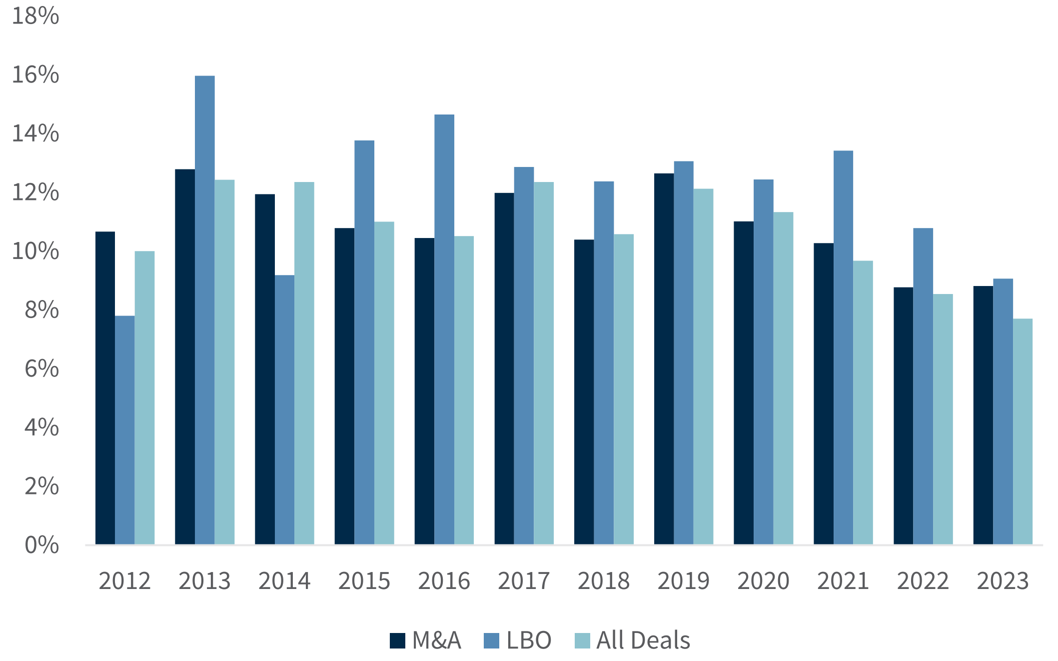


- Equity contributions remained flat over the past few years at around 46%, but saw a notable uptick, reaching 52% in 2023, the highest level on record, as debt capacity has declined materially for borrowers amid a spike in interest rates and economic uncertainty

Source: Leveraged commentary and data. Data through December 31, 2023
Note: 1) Equity contribution for Large Corporate LBOs data calculated on half-yearly basis and is as of June 30, 2023

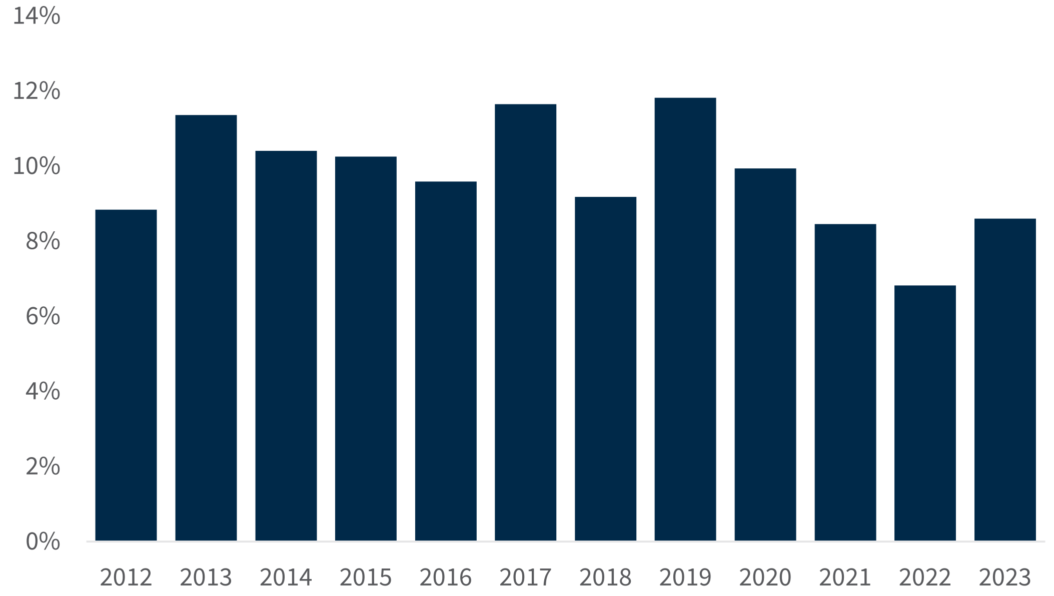
EBITDA Adjustments and Synergies

Adjustments as a Percentage of EBITDA



- Adjustments as a percentage of EBITDA have steadily declined on an aggregate basis over the past few years as underwriting standards have become more stringent
- In 2023, adjustments as a percentage of EBITDA continued its downward trend, with LTM 4Q23 figures reaching 7.7%, the lowest level since 2009's 6.9%

Average Synergies/EBITDA Ratio for Acquisition-Related Transactions

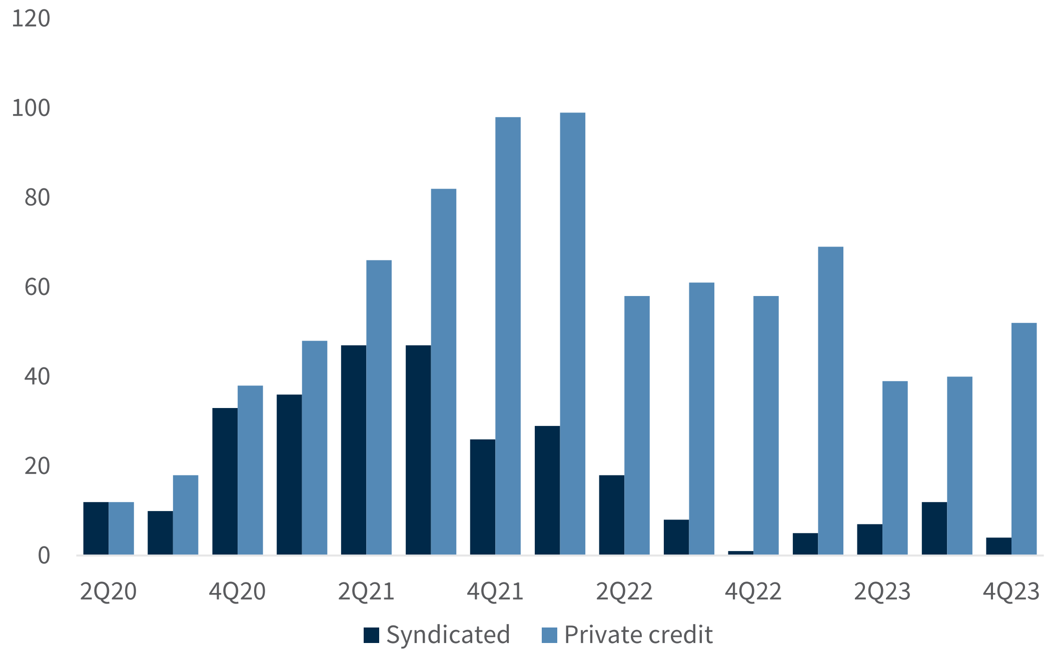


- The average synergies/EBITDA ratio has trended downwards in recent years as underwriters establish more stringent requirements for synergies and other EBITDA adjustments
- 2023 was the first year since 2019 to see an increase in the synergies/EBITDA ratio, with the LTM 4Q23 average increasing to 8.6% from 6.8% in 2022

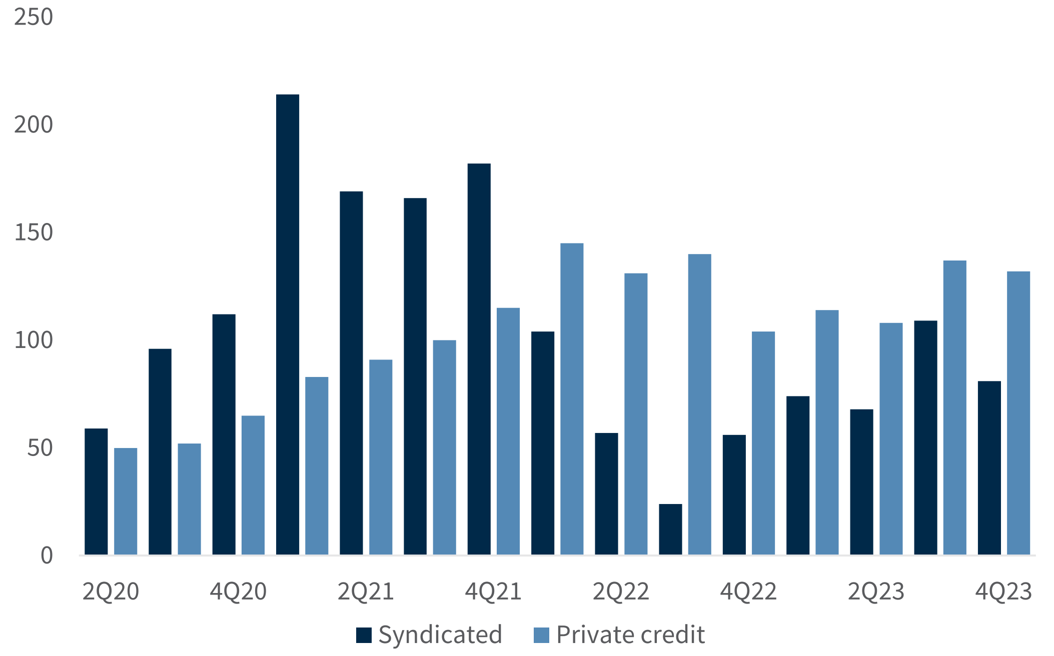
Source: Leveraged commentary and data. Data through December 31, 2023

Syndicated vs. Private Credit Financing

Count of LBOs Financed in BSL vs. Private Credit Markets



Count of non-LBOs Financed in BSL vs. Private Credit Markets



- The private credit market continued to dominate over the broadly syndicated market in the number of LBO financings
- Since 4Q21, private credit has accounted for the overwhelming majority of buyout financings by count. This trend continued in 4Q23 with 52 private credit LBOs vs. just 4 in the BSL market

- Private credit has been outpacing syndicated loans for non-LBOs since 1Q22, and the trend continued through 4Q23 as borrowers prioritized ease of execution
- Syndicated loans, however, saw a decline to 81 transactions in 4Q23, down from 109 in 3Q23, and still trail the 4Q21 recent high of 182

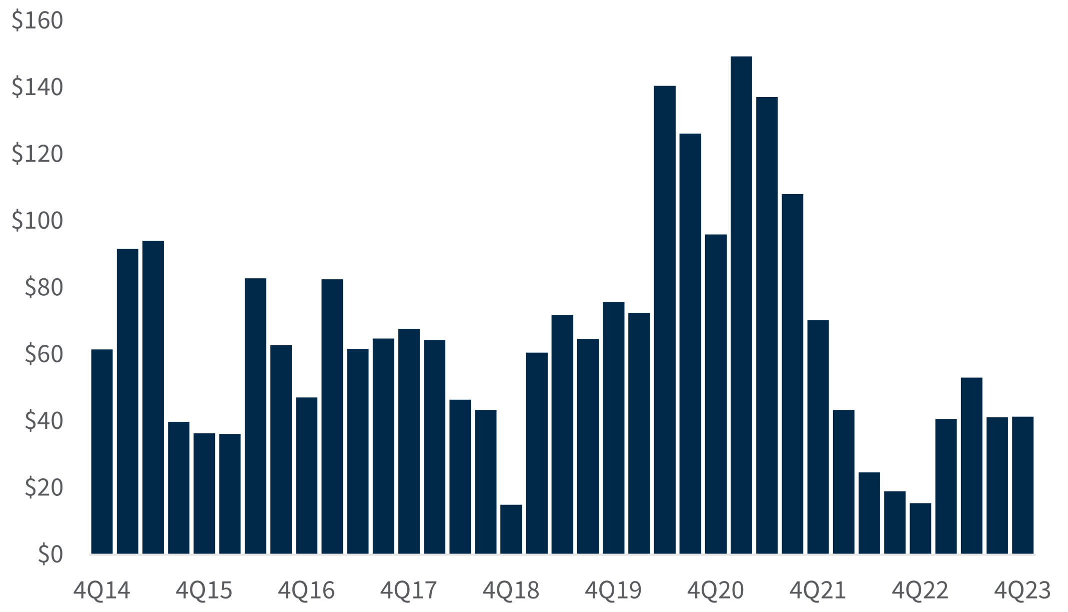
Source: Leveraged commentary and data. Data through December 31, 2023

Section 2: High Yield

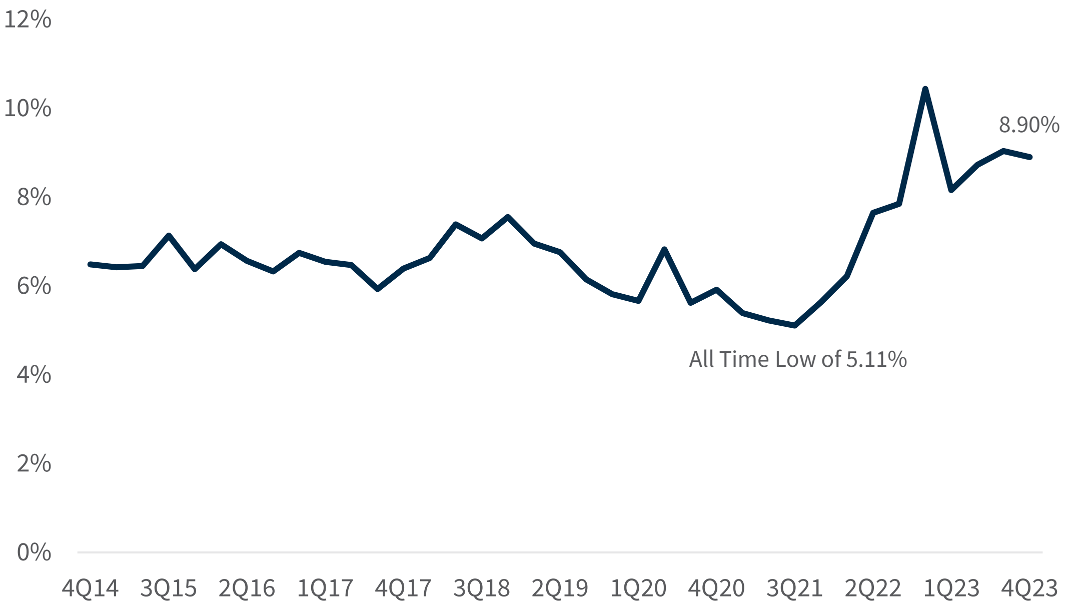
High-Yield Bonds

($'s in billions)

U.S. High-Yield Bond Volume



New-Issue Yields for U.S. High-Yield Bonds



- Following seven consecutive quarters of decline, high-yield bond issuance saw a revival in the first half of 2023, rising to $53bn in 2Q23, before tapering off at $41bn in both 3Q23 and 4Q23
  - This relative surge followed the weakest output since the Global Financial Crisis when issuance totaled a cumulative $34.3bn during the second half of 2022

- New-issue yields in 4Q23 reflected a slight downtick to 8.90% from 9.04% in 3Q23
  - Costs remain substantially elevated versus a 5.32% annual average in 2021, including an all time low of 5.11% in 3Q21

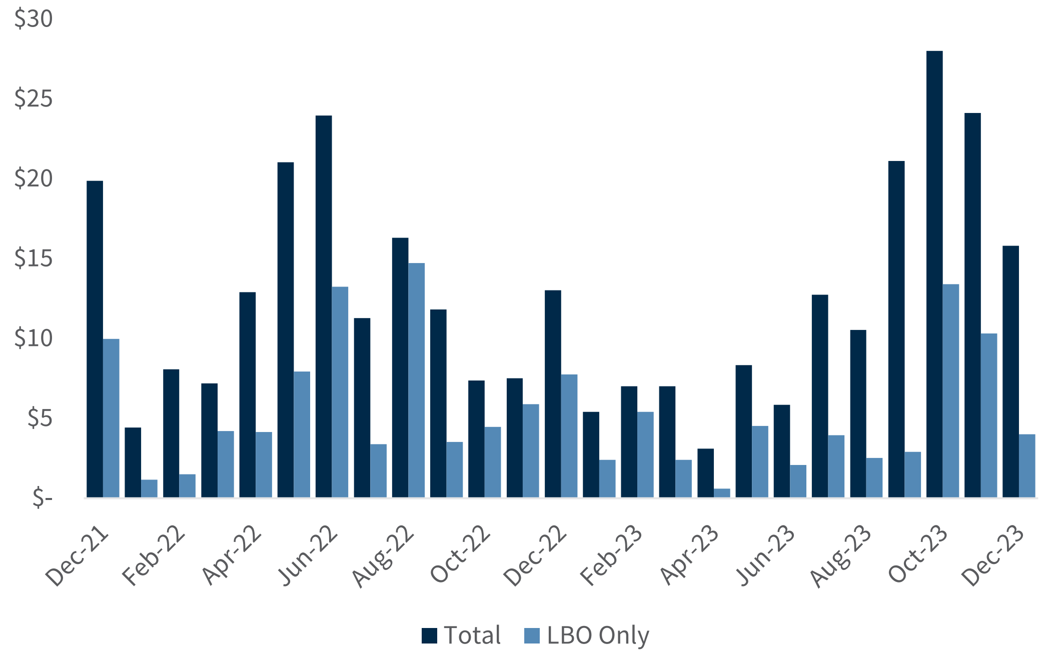
Source: Leveraged commentary and data. Data through December 31, 2023

Section 3: Private Debt

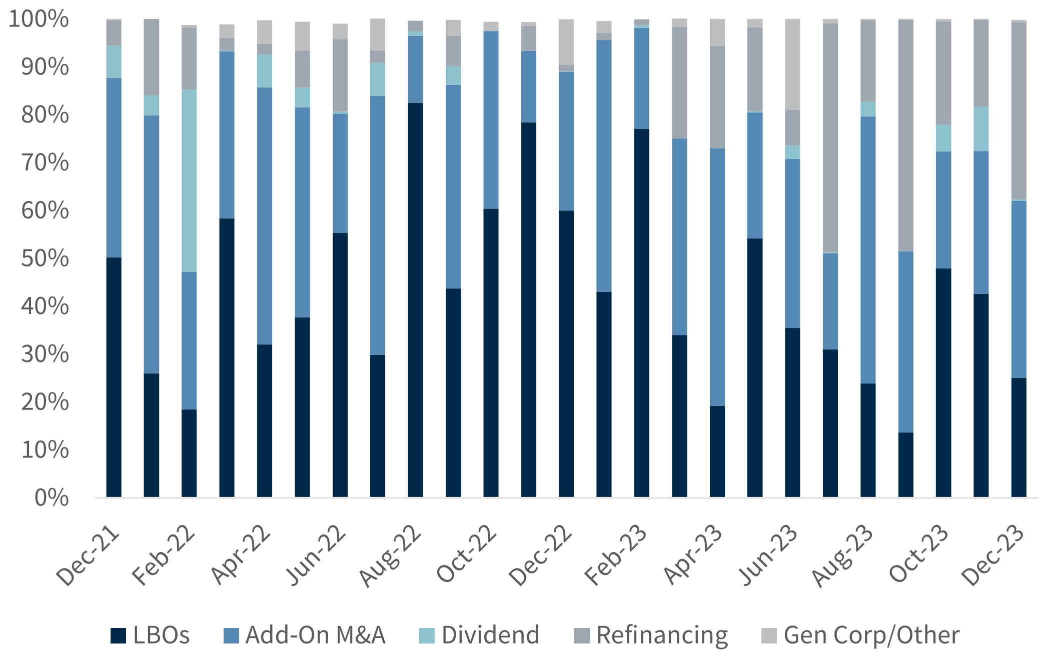
Volume and Use of Proceeds

($'s in billions)

Private Debt Monthly Origination



Private Debt Monthly Volume by Proceeds



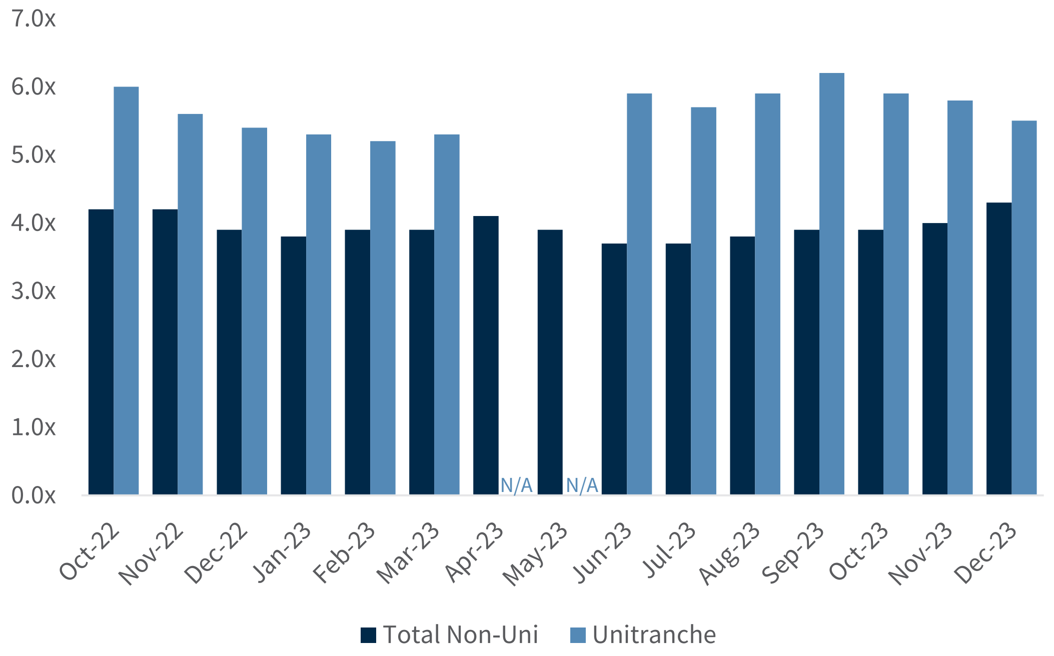
- 4Q23 volume of $68bn was a quarterly record that far outpaced the $28bn in 4Q22, the $44bn in 3Q23, and the previous quarterly high of $58bn in 2Q22
- After a dismal 1H23 that tallied just $37bn, 2H23 volume totaled $112bn
- 2023 volume of $149bn inched past 2022's $145bn, driven by the second half rally and a boost in jumbo financings
  - The post-Labor Day calendar delivered $20bn+ in loans

- LBO activity surged in 4Q23, totaling $28bn, topping the previous three quarters combined, and surpassing 4Q22's total of $18bn
  - However, LBO volume was weaker overall totaling $54bn for the year, down 25% from 2022's $72bn, but only slightly less than 2021's $57bn
- Add-on M&A volume remained steady year-over-year, finishing 2023 with a 33% share ($49bn) of total volume, in line with 35% ($50bn) in 2022 and 32% ($36bn) in 2021
- Driven by private market steals from the BSL market, refinancings surged to 26% ($39bn) of total volume in 2023, up from 7% ($10bn) in 2022 and 8% ($9bn) in 2021

Source: Direct lending deals. Data through December 2023

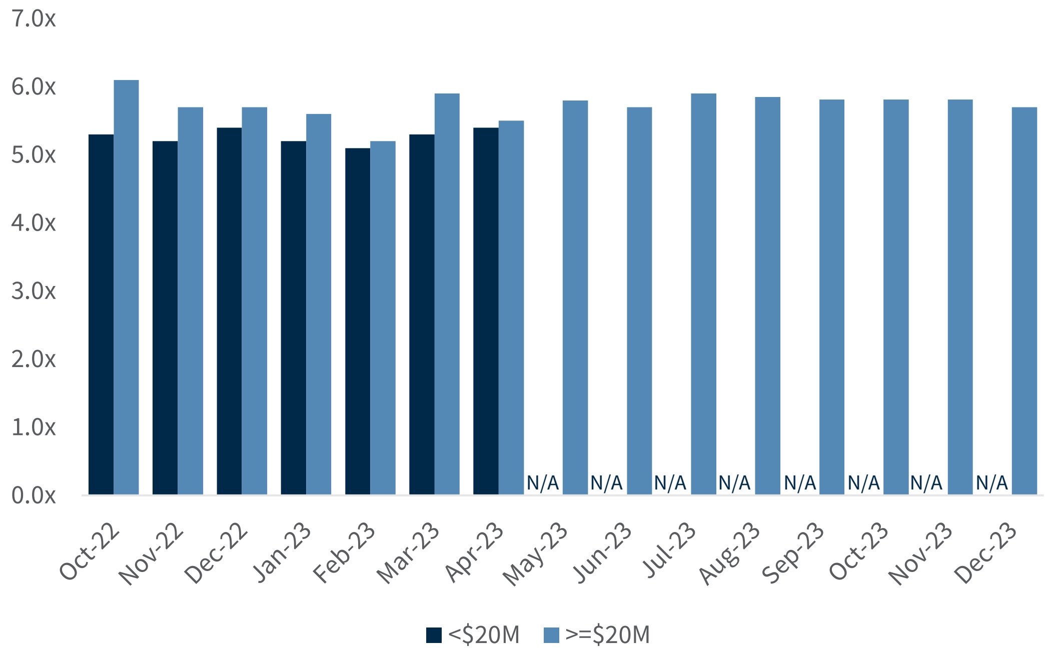
Average Leverage Multiples

LBO Leverage



- The 5.5x average LBO leverage for unitranche[(1)] loans recorded at end of 4Q23 was tighter on a smaller number of sample deals, down 0.7x from 3Q23 and up 0.1x from 4Q22
- For non-uni LBO financings, leverage at the end of 4Q23 was 4.3x, up from 3.9x in 3Q23 and on par with 4Q22's 5.4x

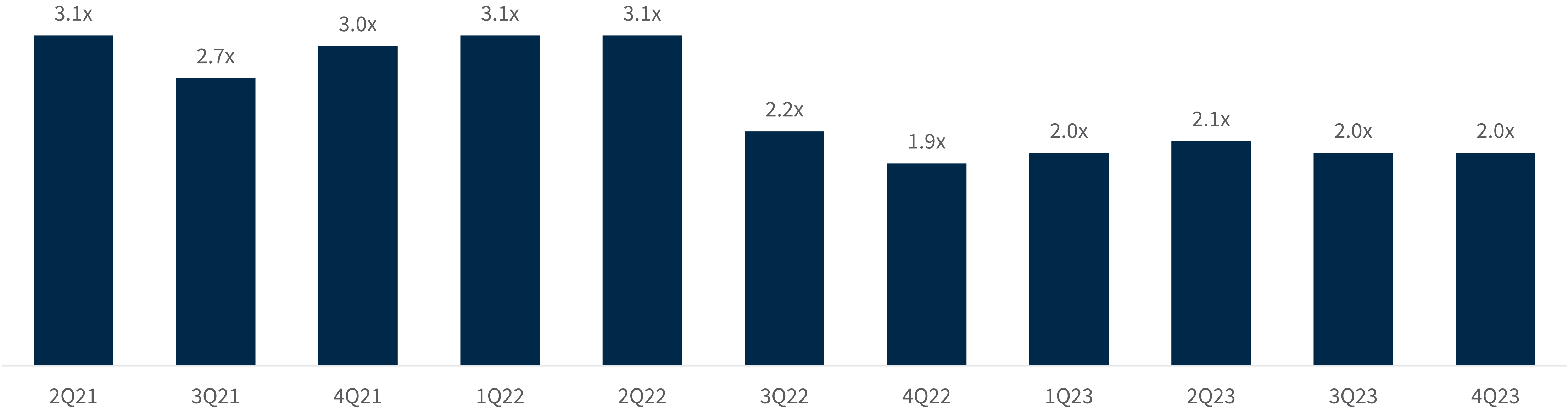
Unitranche Leverage <$20MM vs. >=$20MM EBITDA



- Unitranche leverage for >=$20MM loans fell to 5.7x as of 4Q23, down slightly from 5.8x at the end of 3Q23, but on par with 4Q22's 5.7x
- There have not been enough unitranche loans in the lower middle market to form a representative sample since April 2023
  - This is unsurprising considering DLD's >=5.0x all-senior definition for unitranche, and the move by lenders to tighten leverage amid escalating base rates, particularly for smaller borrowers

(1) DLD defines unitranche as >=5x all. senior
Source: Direct lending deals (calculated based on rolling 90 days data). Data through December 2023

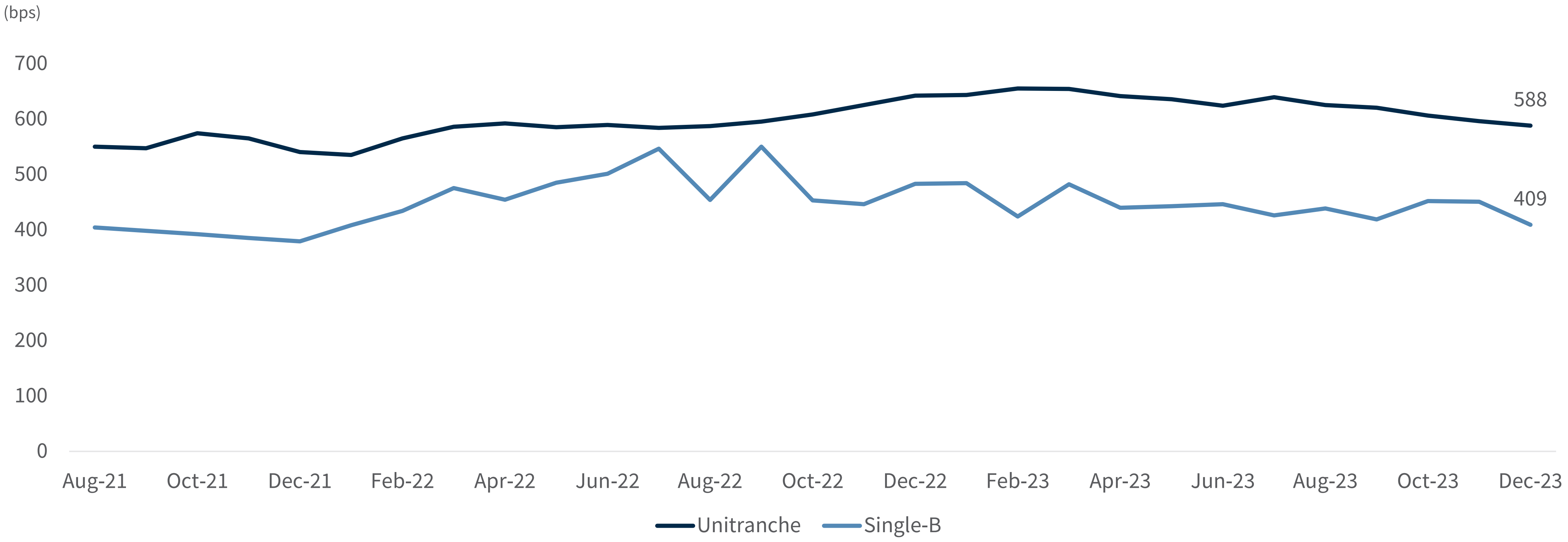
Interest Coverage Ratio



- The average interest coverage held steady at 2.0x in 4Q23, flat with 3Q23
- Since 2H22, average interest coverage ratios have stayed relatively consistent at the low end of the 2.0x – 2.5x comfort zone for lenders
  - If coverage levels remain depressed, there could be further erosion as borrowers cope with elevated base rates for the longer term
  - One concerning trend that has come as a result of lower average interest coverage ratios is that borrowers are eyeing delayed-draw term loans to bridge shortfalls or boost cash rather than for expansion plans or acquisitions

Source: Direct lending deals. Data through December 2023

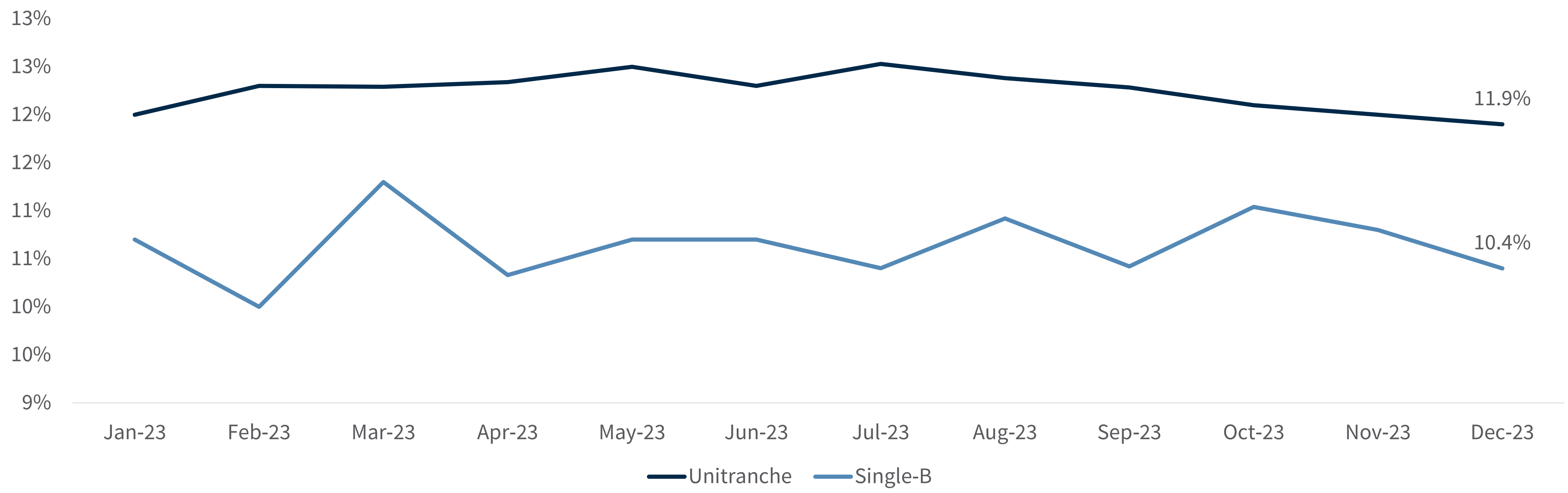
Unitranche vs. Single-B Spreads



- Unitranche spreads declined from a recent high of 655 bps in February 2023 to 588 bps in December 2023, the lowest level since August 2022
- In December 2023, Single-B spreads declined to a two-year low of 409 bps, a level not seen since January 2022's 408 bps
- The gap in pricing has widened significantly from a four-year low of 38 bps in July 2022 to 179 bps in December 2023, up from 159 bps in December 2022

Source: Direct lending deals. Data through December 2023

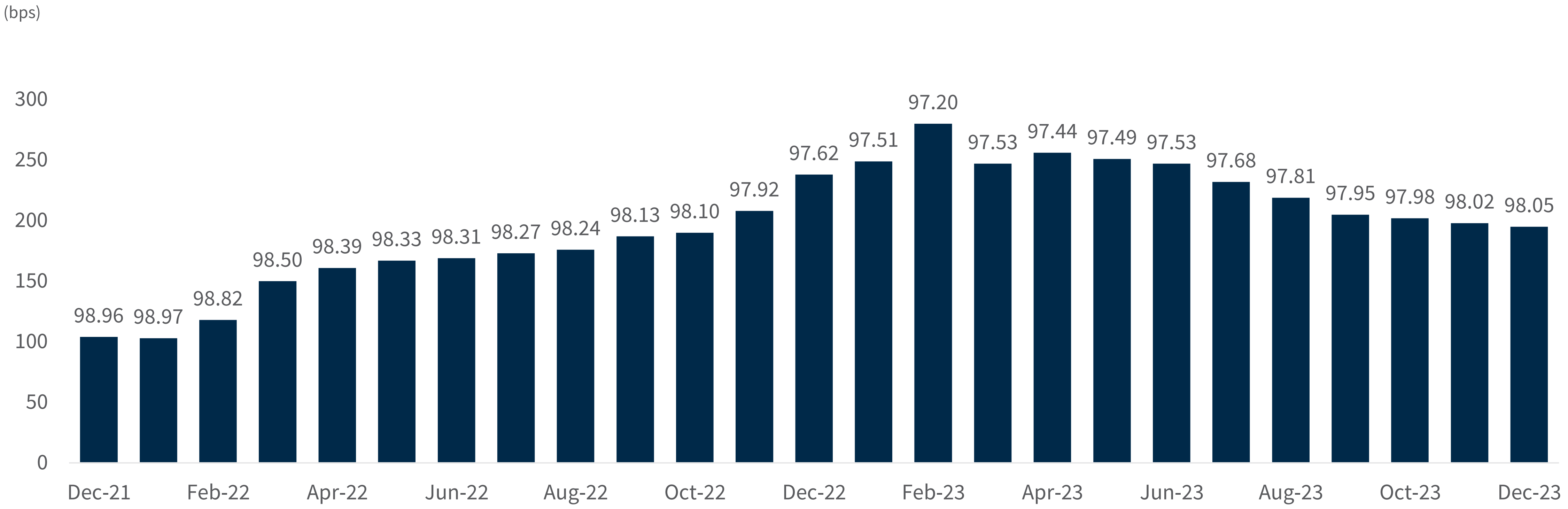
Unitranche vs. Single-B Yields



- The average unitranche yield dropped 20 bps in October, to 12.1%, and another 10 bps in both November and December to close the quarter at 11.9%
  - December 2023's average unitranche yield of 11.9% was the lowest since December 2022's 11.8%
- Single-B yields finished December at 10.4%, on par with September's 10.4%, and down 60 bps from December 2022's 11.0%
  - The average unitranche premium over Single-B institutional debt widened by 30 bps in December, to 150 bps, resulting in a 50 bps decrease since September

Source: Direct lending deals. Data through December 2023

Direct Lending Average Discount



- Discounting stands at the tightest level in 15 months, at an average of 98.05
  - The average discount is now hovering around 98, a level not seen since October of 2022
- Fees have narrowed over the past 9 months, decreasing 61 bps from April to 195 bps in December

Source: Direct lending deals. Data through December 2023

Latest Mega Unitranche Deals

Date	Company	Arrangers	Sponsor	Size
Dec-23	**Zeus Co**	GS	EQT, HPS, KKR, Blackstone, Apollo	$1,425
Dec-23	**Aptean**	Golub	TA, Insight, Charlesbank	$2,110
Dec-23	**MRI Software (Incremental)**	Golub	TA, Harvest, GI Partners	$2,900
Dec-23	**Consolidated Precision Products**	HPS, Ares, Oaktree	Warburg, Berkshire	$1,140
Dec-23	**PerkinElmer**	TBD	New Mountain	TBD
Nov-23	**Enverus (fka Drillinginfo)**	Golub	Genstar	$2,250
Nov-23	**Navex Global**	Antares	BC Partners	$1,200
Nov-23	**Guidehouse**	Blackstone	Bain	$2,850
Nov-23	**CFS Brands**	Blackstone	Jordan Co	$1,000
Oct-23	**EngageSmart**	TBD	Vista Equity	TBD
Oct-23	**PetVet**	KKR, Blue Owl, Ares, Oaktree, Oak Hill	KKR	$3,000
Oct-23	**Medtronic spinoffs**	TBD	Carlyle Group	$2,600
Oct-23	**Virgin Pulse/HealthComp**	Blackstone	Marlin, New Mountain	$1,600

- Unitranche volumes were reignited in 2H23 due to a large number of mega-unitranche transactions, including Petvet in 4Q23
- Integrity Marketing's $6.2bn refinancing, Finastra's $5.3bn refinancing, and PetVet's $3.0bn refinancing reset the market paradigm, expanding capacity expectations to $9bn or more for a single deal

Source: Direct lending deals
Note: All deal size amounts are in US $ millions

Private Market Steals

Date	Borrower	Sponsor	New Arranger	Proceeds	($M)	Prior Issuer Ratings
Dec-23	**Greenway Health**	Vista Equity	NA	Refi	NA	B-/B3
Dec-23	**Aptean**	TA, Insights Partners, Charlesbank	Golub	Refi	$2,110	B-/B3
Dec-23	**Synamedia**	Permira	Adams Street	Refi	NA	B-/B3
Dec-23	**Consolidated Precision Products**	Warburg Pincus, Berkshire Partners	HPS, Ares, KKR, Oaktree	Refi	1,140	CCC+/Caa2
Dec-23	**Young Innovations**	TJC	Churchill	Refi, Add-on M&A	NA	CCC/Caa1
Nov-23	**BeyondTrust**	Clearlake Capital	Blackstone	Refi	880	B-/B3
Nov-23	**Enverus (fka Drillinginfo)**	Hellman & Friedman, Genstar	Golub	Refi, Add-on M&A	2,250	NR
Nov-23	**Navex Global**	BC Partners	Antares	Div, Refi	1,200	B2
Oct-23	**PetVet**	KKR	KKR, Blue Owl, Ares, Oaktree	Refi	3,000	B-/B3
Oct-23	**Virgin Pulse**	Marlin/New Mountain	Blackstone	Add-on M&A	1,600	B-/B3
Oct-23	**CFS Brands**	TJC	Blackstone	Refi, Add-on M&A	~1,100	B-/Caa1

- Despite a more robust syndicated loan market, private credit managers continue to make progress on stealing BSL borrowers, with over $12.2bn in steals in 4Q23
- Demand for B/B2 paper remains strong, but B-/B3 debt has been more challenging to syndicate and could provide the private market with an opportunity due to the $72bn set to mature over the next three years
- Of the 30 conversions tracked in 2023, most steals were Single-B issuers, with 24 carrying Single-B ratings, five carrying Triple-C ratings, and one being a Double-B credit
- In terms of size, most steals were larger businesses with over $500MM in outstanding senior debt, highlighting that managers continue to punch upmarket to win business away from syndications
    - Middle market bank deals are tough to poach due to the lack of transparency down market

Source: Direct lending deals
Note: All deal size amounts are in US $ millions

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

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