

# CAPITAL RESTRUCTURING PERSPECTIVES



Quarterly Update  
First Quarter 2025

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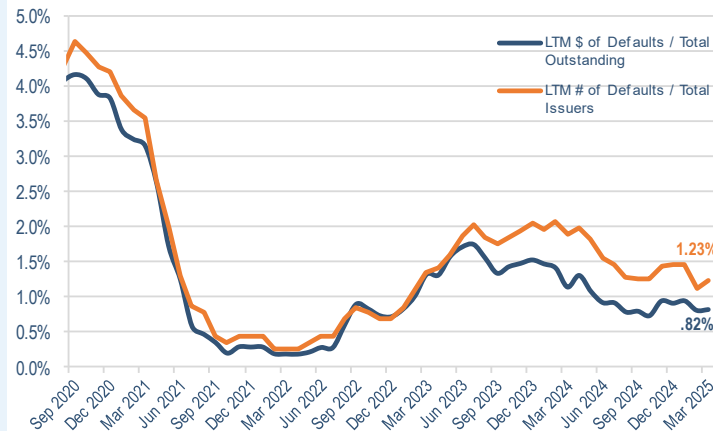
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# DISTRESSED MARKET INDICATORS

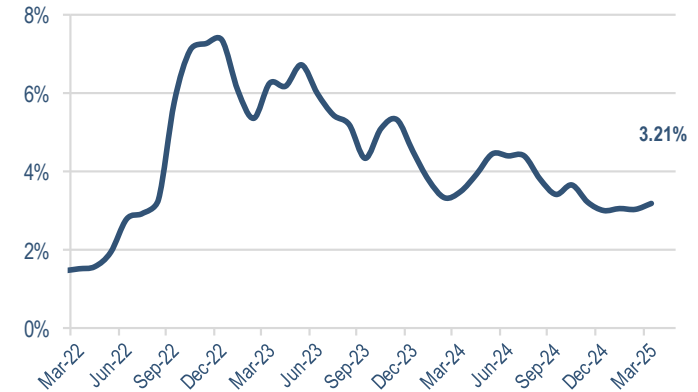
## KEY HIGHLIGHTS

- The three-month rolling measure of downgrades to upgrades in Q1 2025 was in line with the prior quarter at 3.0x, but spiked to 4.69x in February, which was the highest reading for this metric since July 2020
- Higher-for-longer rates combined with tariff concerns, capital market volatility, weakening consumer confidence and a dimmer outlook for borrower fundamentals will likely only exacerbate the pace of corporate downgrades by rating agencies
- The payment default rate was relatively unchanged in Q1 2025 by amount, but rose 10 bps by issuer count to 1.23% in March 2025
- While payment defaults were contained in Q1 2025, distressed LMEs continue to outpace defaults and bankruptcies in every month in 2025, shifting the landscape for managing unsustainable debt burdens away from conventional defaults

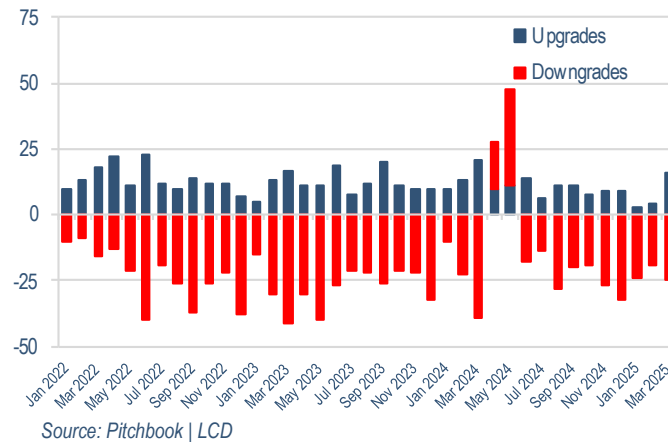
### Leveraged Loan Default Rate



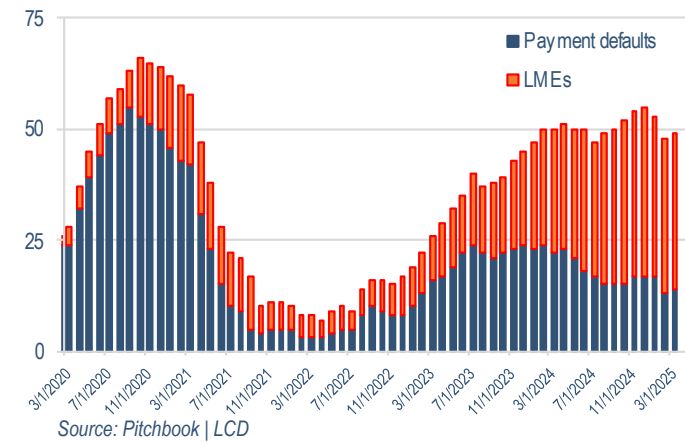
### Distress Ratio <sup>[1]</sup>



### Upgrades and Downgrades <sup>[2]</sup>



### Leveraged Loan Defaults



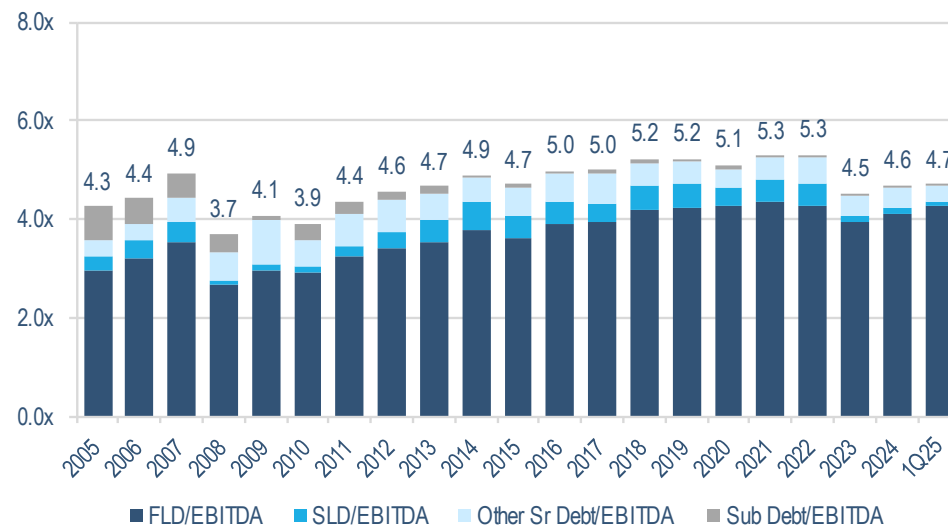
[1] Distress ratio by amount outstanding (percent of loans priced below 80)  
 [2] Count of ratings action in S&P/LSTA Leveraged Loan Index

# CAPITAL MARKET PERSPECTIVES

## COMMENTARY

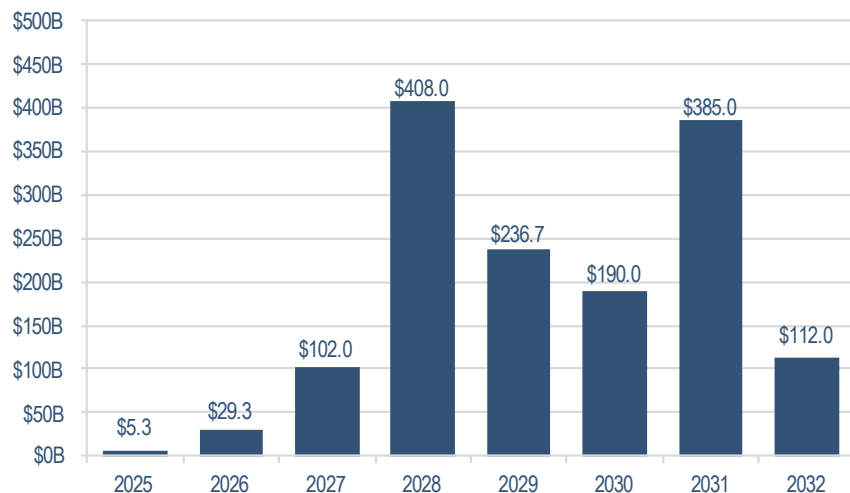
- U.S. leveraged loan issuers continue to push out maturities at a steady pace with amend-and-extend deals totaling approximately 60 transactions in Q1 2025, up slightly from the prior quarter
- Loans coming due in 2028 and beyond represented 91% of the \$1.4 trillion leveraged loans outstanding in Q1 2025
- However, as new-issue spreads widened and investor risk appetite declined in early 2025, refinancing activity slowed, narrowing the window for further maturity extensions
- Leverage ratios in Q1 2025 were relatively unchanged from the prior quarter at 4.7x

## Average Leverage Multiples



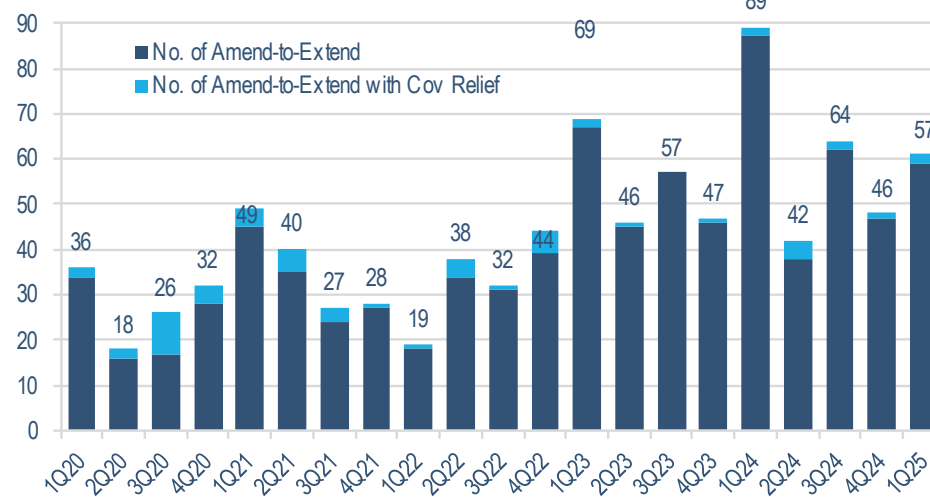
Note: FLD is abbreviation for "first lien debt" and SLD is abbreviation for "second lien debt"  
Source: Pitchbook | LCD

## Current Loan Maturities by Year



Source: Pitchbook | LCD

## Amend & Extends



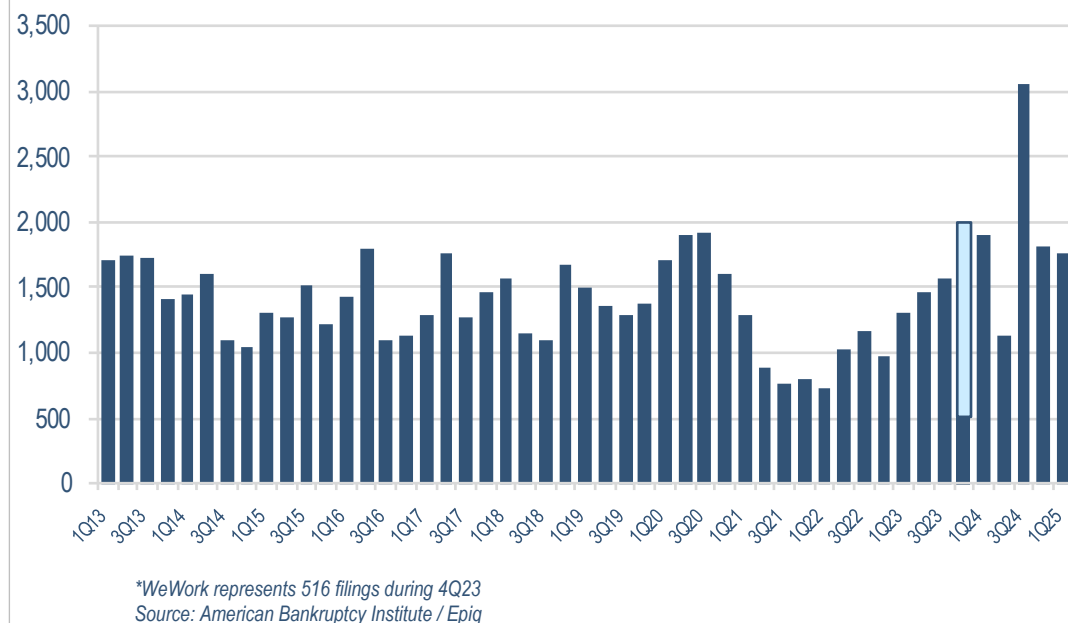
Source: Pitchbook | LCD

# BANKRUPTCY TRENDS

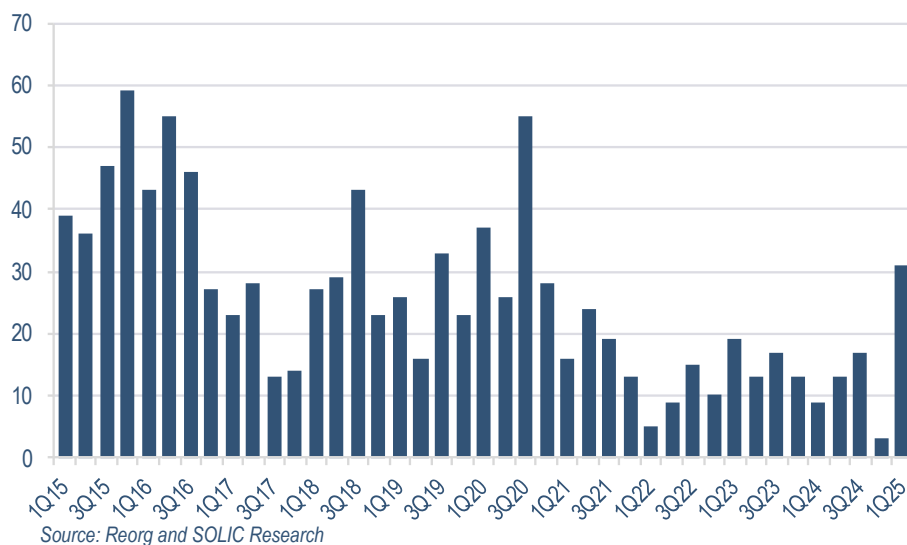
## COMMENTARY

- Corporate bankruptcies among U.S. companies in Q1 2025 in-line with prior periods - however, March totals were up 20% compared to prior periods signaling growing economic pressure
- Industrials and consumer discretionary (including retail and restaurants) accounted for more than 30% of Q1 2025 bankruptcies
- Notable bankruptcies filed in the quarter include:
  - Software company Exela Technologies (SOLIC is representing the ad hoc group of bondholders), restaurant chain Hooters (SOLIC is serving as investment banker), prominent film company Village Roadshow (SOLIC is serving as investment banker), F21 OpCo LLC, owner of the Forever 21 apparel chain, electric vehicle-maker Nikola, crafts retailer Joann, genetic testing company 23andMe, and telecom company Mitel Networks
  - Corporate bankruptcies among U.S. companies in Q1 2025 were in-line with prior periods - however, March totals were up 20% compared signaling persistent economic pressure

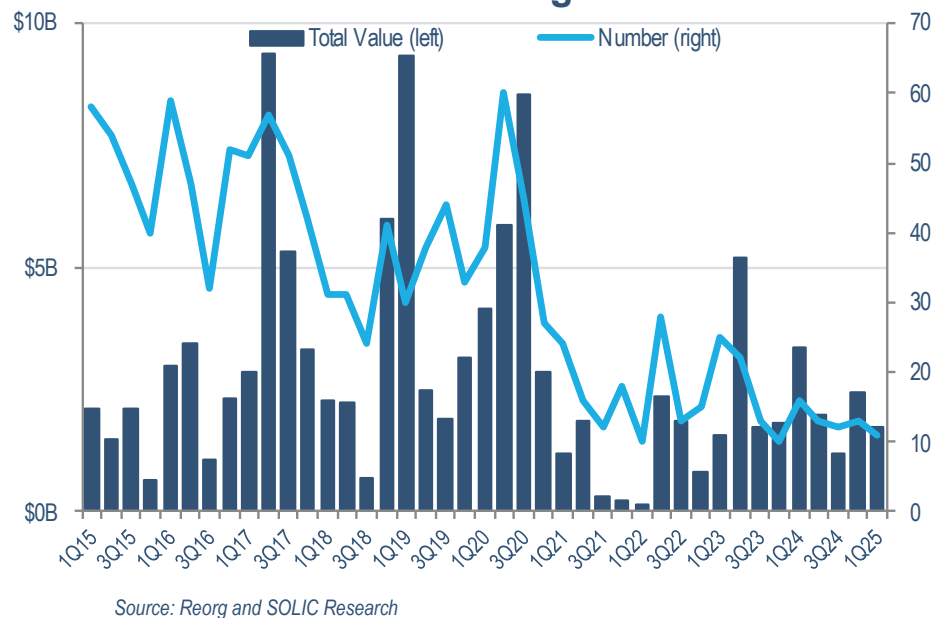
## Chapter 11 Filings



## Section 363 Sales



## DIP Financings

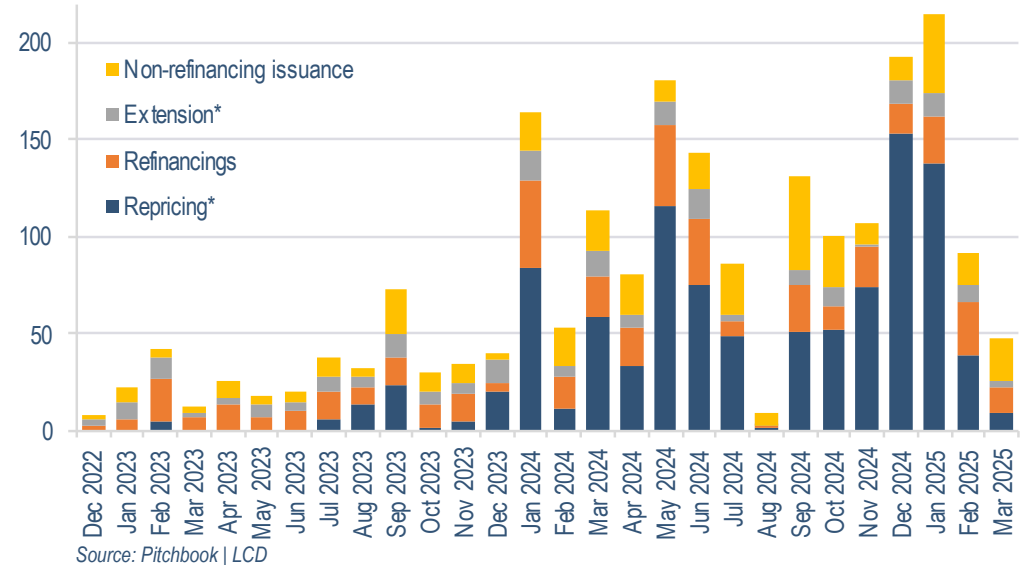


# LEVERAGED LOAN TRENDS

## COMMENTARY

- Q1 2025 U.S. leveraged loan issuance dropped compared to last quarter, but was in line with Q1 2024 issuance levels
- Product mix has been consistent, with institutional loans holding approximately 70–75% share over the last two quarters
- Repricings comprised the majority of early activity in Q1, but stalled in March amid investor caution, with monthly volume plunging to \$9 billion from \$138 billion in January
- The weighted average bid of the Morningstar LSTA US Leveraged Loan Index retreated by 75 bps in the month to 96.40, the lowest level since mid-August 2024
- The prevailing uncertainty is likely to further undermine business and consumer confidence, heightening concerns about corporate investment, employment, consumer spending, and overall economic activity

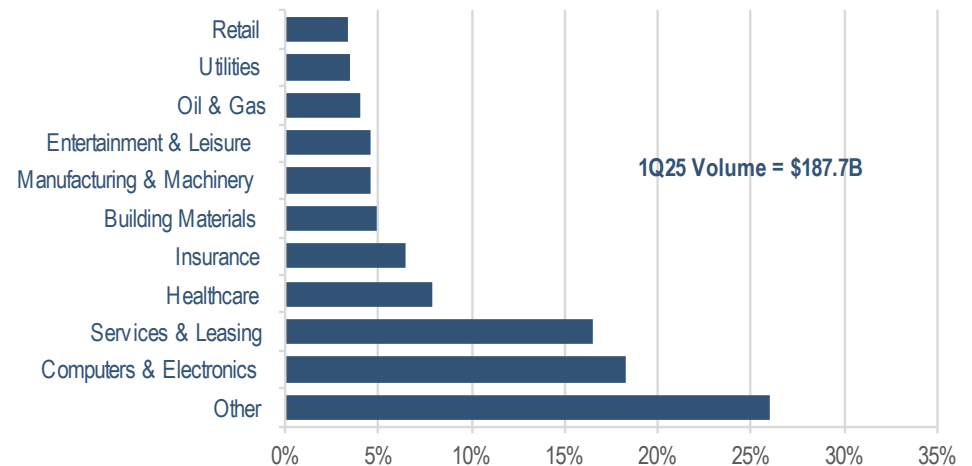
## US Institutional Loan Activity (\$B)



## Weighted Average Bid of US Leveraged Loans



## Loan Issuance by Sector



Source: Pitchbook | LCD

# SELECT DIP FINANCINGS AND 363 SALES

## Select DIP Financings

DIP Date	Debtor	Industry	Amount (\$ in millions)	Applicable Margin	Maturity	Reference Rate
3/31/2025	The Dolphin Company	Consumer Discretionary	\$24	11% PIK	9 months	Fixed
3/31/2025	Hooters of America, LLC	Consumer Discretionary	\$40	3%	3 months	Prime Rate
3/23/2025	23andMe Holding Co.	Health Care	\$35	14%	6 months	Fixed
3/10/2025	Mitel Networks	Information Technology	\$122	8%	4 months	SOFR
3/5/2025	Cutera, Inc.	Health Care	\$25	10%	4 months	SOFR
3/3/2025	Exela Technologies Inc.	Industrials	\$185	12% PIK	4 months	Fixed
3/2/2025	Azzur Group Holdings LLC	Health Care	\$61	7%	3 months	Base Rate
2/24/2025	TreeSap Farms, LLC	Materials	\$51	7% PIK	4 months	SOFR
2/5/2025	Zips Car Wash	Consumer Discretionary	\$83	7%	8 months	SOFR
2/3/2025	Jackson Hospital & Clinic, Inc.	Health Care	\$25	14%	6 months	Fixed
2/2/2025	Liberated Brands LLC	Consumer Discretionary	\$125	6%	7 months	SOFR

## Announced Section 363 Sales

Date	Target	Buyer	Industry	Deal Value (\$ in millions)
03/16/2025	Air Force Heating and Air	American Nautical Holdings LLC (Business Operating Assets)	Industrials	\$115.9
01/10/2025	All Craft Marine Holdings LLC		Industrials	\$6.0
03/02/2025	Azzur Group Holdings LLC		Health Care	\$56.0
03/30/2025	CTN Holdings Inc.		Industrials	\$20.0
01/14/2025	Diamond Comic Distributors Inc.	Alliance Entertainment LLC	Consumer Discretionary	\$39.0
02/26/2025	Dynamic Aerostructures LLC	FMI Holdco LLC an entity formed by Avem	Industrials	\$16.0
01/27/2025	iM3NY LLC	Musashi Auto Parts Michigan Inc	Industrials	\$10.0
01/15/2025	Jo-Ann Stores	Great American Group	Consumer Discretionary	\$567.0
02/07/2025	Memstar USA Inc.		Materials	\$7.7
01/14/2025	Mondee Holdings Inc.	Mondee Purchaser LLC entity founded by Prepetition Lenders	Consumer Discretionary	\$208.0
02/19/2025	Nikola Corporation	Lucid USA II (Arizona Manufacturing & Headquarters); Midwest Infrastructure Partners LLC	Industrials	\$18.0
02/10/2025	Omega Therapeutics Inc.		Health Care	\$11.0
03/04/2025	OTB Holding LLC		Consumer Discretionary	\$15.0
03/23/2025	Plenty Unlimited Texas LLC		Consumer Staples	\$21.7
01/11/2025	Prospect Medical Holdings Inc.	The Centurion Foundation Inc. & CharterCARE Health of Rhode Island Inc.	Health Care	\$8.0
03/17/2025	Village Roadshow Entertainment Group USA Inc.		Communication Services	\$417.5
02/07/2025	White Forest Resources Inc.	Eagle Horizon Resources LLC	Energy	\$11.0
01/06/2025	Wilson Creek Energy LLC	Rosebud Mining Company	Materials	\$10.0

## SOLIC Representative Engagement



Financial Advisor

Healthcare

SOLIC Capital Advisors is proud to have advised Quigley Health Services on its successful sell-side process to a leading industry operator.

The transaction supports Quigley's continued growth as a premier regional provider of ophthalmology and optometry services, while strengthening its longstanding reputation for high-quality patient care.

With a loyal base generating over 130,000 annual patient encounters across 12 locations, this partnership positions Quigley to further expand access to vision care throughout Southwest Florida.



# NOTES

## SOURCES

Pitchbook | LCD, American Bankruptcy Institute / Epiq and others as indicated.

The charts and graphs used in this report have been compiled by SOLIC Capital Advisors solely for the purpose of illustration.

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