

CAPITAL RESTRUCTURING PERSPECTIVES



Quarterly Update
Third Quarter 2024

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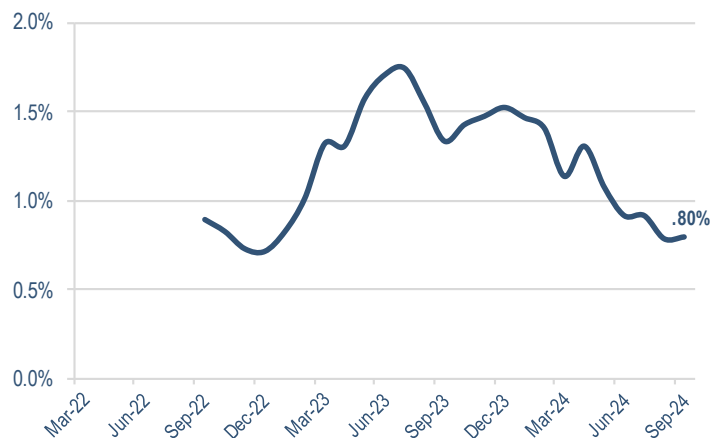
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DISTRESSED MARKET INDICATORS

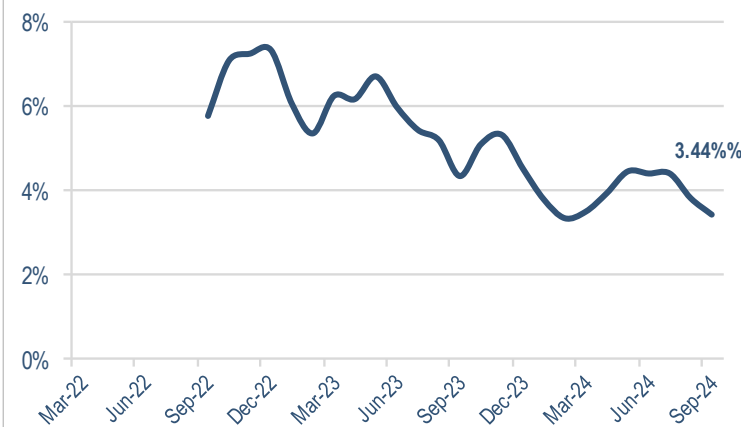
KEY HIGHLIGHTS

- Highly accommodative capital markets and significant lender-led out of court balance sheet restructurings are resulting in continued deferral of in-court bankruptcies and distressed M&A transactions.
- While the leveraged loan default rate trended lower in September 2024 to 0.80% by amount and 1.26% by issuer count, issuers avoiding bankruptcies via out-of-court liability management transactions continued to grow
- The trailing 12-month count of index issuers conducting out of court distressed transactions (distressed liability management exercises or "LMEs") climbed to an all-time high of 35 in September
- When including out-of-court LMEs and payment defaults, the combined default rate by issuer count climbed to 4.21% in September 2024
- The distressed cohort of performing index loans, defined as loans trading below 80% of par, eased to 3.43% in September, down from 3.80% at the start of 2024
- Ratings agency activity remains weighted toward downgrades, with the ratio of downgrades to upgrades on a rolling three-month basis rising to 2.21x in September, from 1.94x in August - this compares to a 2024 low of 1.64x in March, and a recent high of 3.32x in February 2023
- With reduced interest rates taking time to trickle down to borrowers, the US presidential election, and geopolitical tensions, increased volatility and tightening of financial markets are possible in the coming months

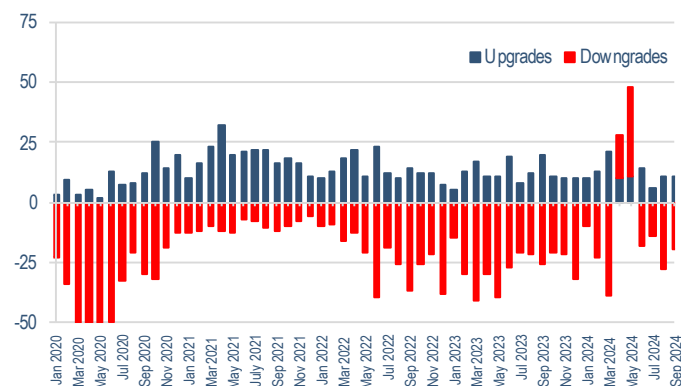
S&P Default Rate



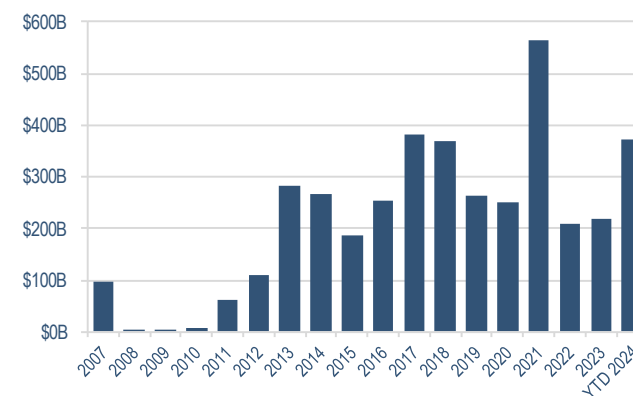
Distress Ratio^[1]



Upgrades and Downgrades^[2]



Covenant- Lite Loan Issuance



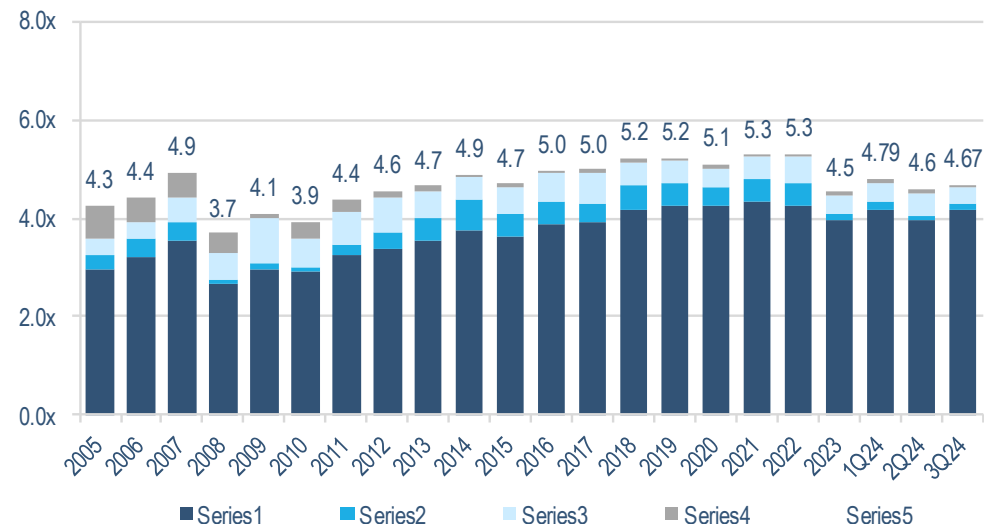
[1] Distress ratio by amount outstanding (percent of loans priced below 80)
 [2] Count of ratings action in S&P/LSTA Leveraged Loan Index

CAPITAL MARKET PERSPECTIVES

COMMENTARY

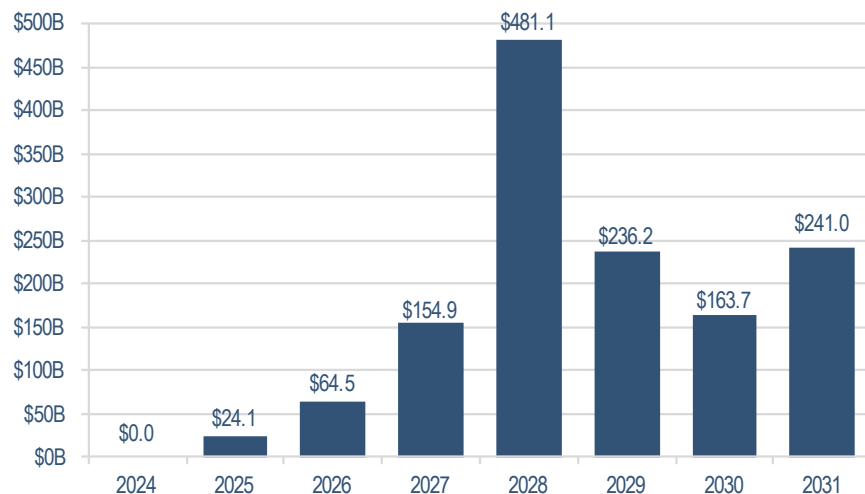
- For the first time in almost two years, there were more M&A, LBO and recapitalization credits brought to market than there were refinancings during Q3 2024
- However, repricing amendments and refinancing-related issuance are still running at record pace for the year, at \$472 billion and \$207 billion, respectively, through Q3 2024
- Against the backdrop of robust investor demand for loans and continued lack of net supply, speculative-grade borrowers capitalized on accommodating market conditions to reduce interest expense, extend maturities, or both – approximately \$850 billion of loans have been either paid down, repriced or extended by the end of Q3 2024, equating to 61% of all outstanding deals at the start of this year
- As lower-rated transactions continue to take a larger slice of issuance in 2024, leverage ratios have risen from a 2023 dip with an average debt/EBITDA ratio of 4.7x, up from 4.5x last year

Average Leverage Multiples



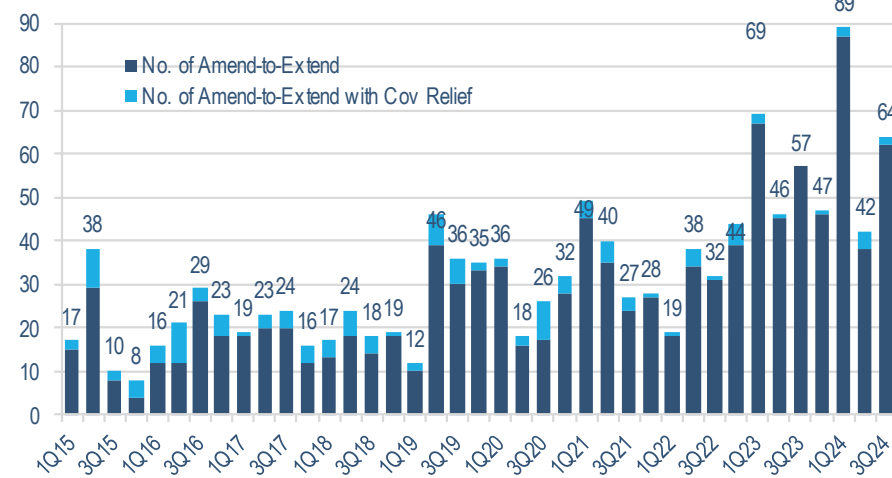
Note: FLD is abbreviation for "first lien debt" and SLD is abbreviation for "second lien debt"
Source: Pitchbook | LCD

Current Loan Maturities by Year



Source: Pitchbook | LCD

Amend & Extends



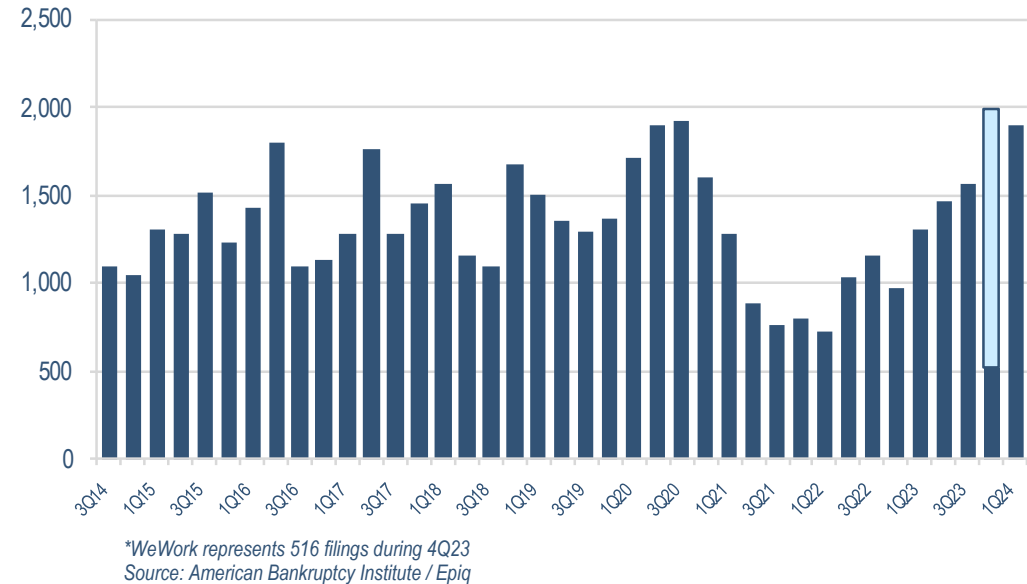
Source: Pitchbook | LCD

BANKRUPTCY TRENDS

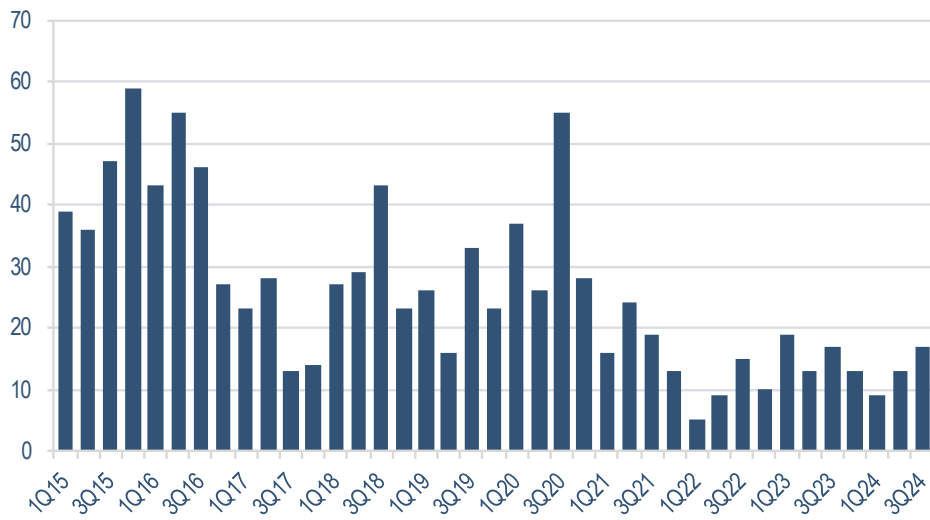
COMMENTARY

- There have been 26 bankruptcy filings with more than \$1 billion in liabilities through Q3 2024
- With 81 bankruptcy filings through September 2024, the Consumer Discretionary sector comprises the majority of bankruptcies in 2024 as it is most impacted by increasingly budget-conscious consumers
- Notable bankruptcies filed in the quarter include Big Lots, Tupperware Brands, Wheel Pros, Rhodium Enterprises, Blink Fitness, Vintage Wine Estates, and Conn's HomePlus & Badcock Furniture

Chapter 11 Filings

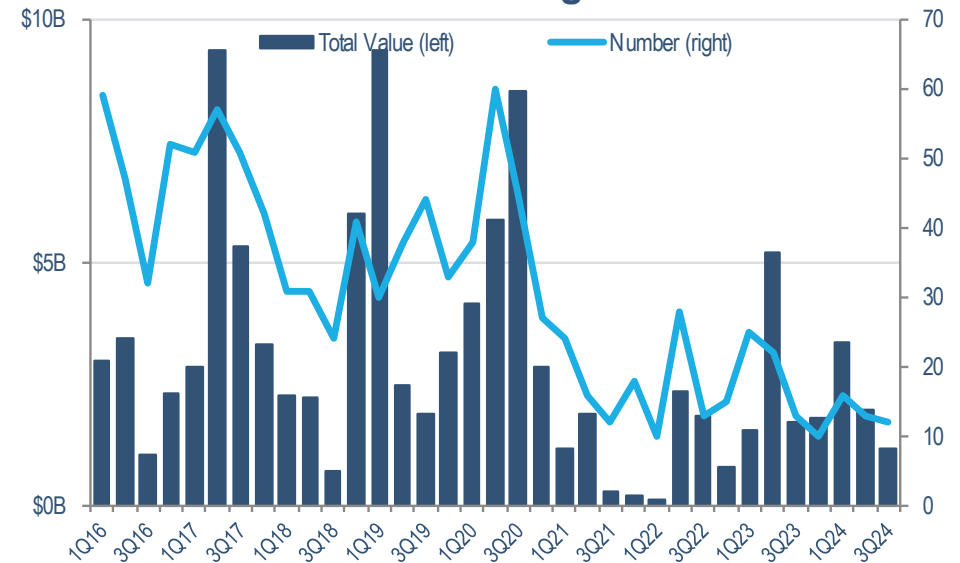


Section 363 Sales



Source: Reorg and SOLIC Research

DIP Financings



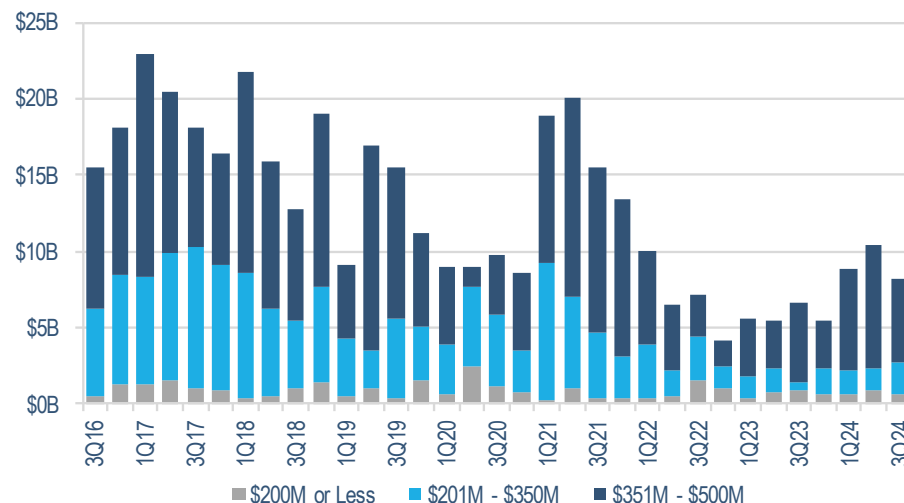
Source: Reorg and SOLIC Research

LEVERAGED LOAN TRENDS

COMMENTARY

- Gross loan volumes totaled \$223 billion in Q3 2024, approximately half of the record-breaking \$405 billion in Q2 2024, but this quarter still exceeded all quarterly totals from Q2 2021 to Q4 2023
- Syndicated loan volume to finance LBOs rose to the highest level in 2.5 years
- Private equity sponsors raised over \$20 billion in the broadly syndicated market to finance LBOs, approximately twice the average levels since the rate-hiking cycle began and ahead of the pandemic-induced slowdown of 2020
- While lower benchmark interest rates will ease funding costs for borrowers and provide some relief for those struggling to balance cash flows, the benefit likely comes with a lag and risks to growth persist - political tensions and the U.S. presidential election could bring volatility and tightening to financial markets

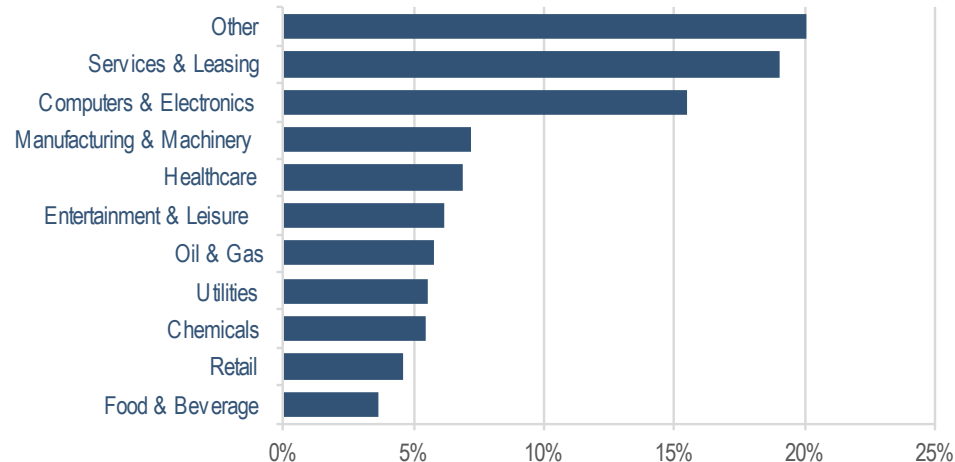
Middle Market Loan Issuance



Weighted Average Bid of US Leveraged Loans



Loan Issuance by Sector



SELECT DIP FINANCINGS AND 363 SALES

Select DIP Financings

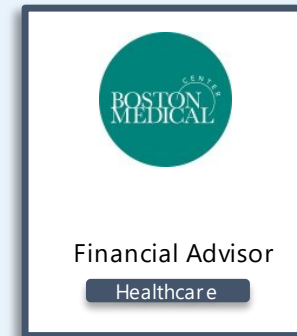
DIP Date	Debtor	Industry	Amount (\$ in millions)	Applicable Margin	Maturity	Reference Rate
7/23/2024	Mobileum, Inc.	Information Technology	\$160	6%	4 months	SOFR
7/24/2024	Meiers Wine Cellars Acquisition, LLC	Consumer Staples	\$61	9%	3 months	SOFR
7/25/2024	2U, Inc.	Consumer Discretionary	\$64	8.5% PIK	6 months	SOFR
8/4/2024	BUCA Texas Restaurants LP	Consumer Discretionary	\$36	15%	12 months	Fixed
8/8/2024	DRF, LLC	Industrials	\$47	10% PIK	4 months	Fixed
8/11/2024	LL Flooring Holdings, Inc.	Consumer Discretionary	\$130	2.3%	5 months	Base Rate
8/12/2024	Blink Holdings, Inc.	Consumer Discretionary	\$74	15% PIK	2 months	Fixed
8/12/2024	Avon Products, Inc.	Consumer Staples	\$43	5.5% PIK	4 months	SOFR
8/24/2024	Rhodium Encore LLC	Information Technology	\$30	14.5%	3 months	Fixed
9/9/2024	Edgio, Inc.	Information Technology	\$119	17% PIK	6 months	Fixed
9/11/2024	Digital Media Solutions, Inc.	Communication Services	\$122	7% PIK	6 months	SOFR
9/24/2024	Vertex Energy Operating, LLC	Energy	\$280	9.5% PIK	6 months	Base Rate

Select Section 363 Sales

Date	Target	Buyer	Industry	Deal Value (\$ in millions) (\$ in millions)
09/20/2024	Arrakis LLC	Consumer Discretionary	Consumer Discretionary	\$8.5
08/12/2024	Avon Products Inc.	Consumer Staples	Consumer Staples	\$125.0
09/09/2024	Big Lots Inc.	Consumer Discretionary	Consumer Discretionary	\$760.0
07/23/2024	Conn's Inc.	Consumer Discretionary	Consumer Discretionary	\$360.0
09/09/2024	Edgio Inc.	Information Technology	Information Technology	\$110.0
09/09/2024	Fulcrum BioEnergy Inc.	Energy	Energy	\$15.0
07/29/2024	Guardian Elder Care at Johnstown LLC	Health Care	Health Care	\$56.0
07/29/2024	Hardinge Inc.	Industrials	Industrials	\$128.0
08/16/2024	Heritage Collegiate Apparel Inc.	Consumer Discretionary	Consumer Discretionary	\$12.0
09/05/2024	Ideal Property Investments LLC	Consumer Discretionary	Real Estate	\$4.8
07/09/2024	JGA Development LLC	Consumer Staples	Real Estate	\$1.5
08/11/2024	LL Flooring Holdings Inc.	Consumer Discretionary	Consumer Discretionary	\$105.0
09/03/2024	Lumio Holdings Inc.	Consumer Discretionary	Industrials	\$100.0
07/24/2024	Meiers Wine Cellars Acquisition LLC	Information Technology	Consumer Staples	\$19.0
08/05/2024	SunPower Corporation	Energy	Industrials	\$45.0
09/08/2024	Wheel Pros LLC	Health Care	Consumer Discretionary	\$31.0
09/23/2024	Wrena LLC	Industrials	Consumer Discretionary	\$5.7

Source: Reorg and SOLIC Research

SOLIC Representative Engagement



SOLIC Capital Advisors is proud to have advised Boston Medical Corporation on its successful Section 363 acquisition of St. Elizabeth's Medical Center and Good Samaritan Medical Center from Steward Healthcare.

This acquisition will ensure long-term stability for patients, employees, and physicians of St. Elizabeth's and Good Samaritan Medical Center, while also providing continued access to care for the surrounding communities

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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