DEBT MARKET INSIGHT

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Extensive transaction experience

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

Viva Air  
Sale of minority stake to Zartegian

T.D. Williamson  
Has received a strategic investment from SCF PARTNERS

The Halifax Group  
A portfolio Company of Preferred Equity Financing

A portfolio Company of

Southern Rail Co.  
Debt Financing

J.P. Morgan Global Alternatives  
Has completed a recapitalization in conjunction with AFR

Goodwest  
A portfolio company of

Paladium Equity Partners  
Debt Financing

A portfolio company of

Paladium Equity Partners Debt Financing

AFC  
Refinancing transaction completed with debt and equity provided by Prudential Private Capital

Emtec Business & Technology Empowerment

Has completed a majority recapitalization with Invesco

Has partnered with GreyLion

Invesco  
Supported by a senior credit facility arranged by Raymond James

GreyLion  
Supported by a senior credit facility arranged by Raymond James

Salary.com  
A portfolio company of

Salary.com Debt Financing

(1) Statistics as of April 2022. Tombstones reflect representative transactions completed between 3/31/2021 – 6/30/2022
Section 1: Broadly Syndicated Loans
Loan Volume and Price Volatility

- 2Q22 issuance stalled with headwinds mounting from inflation, rising rates, recession fears and ongoing supply chain issues
- Institutional volume was $56 billion, the lowest since 2Q20 at the onset of the COVID-19 pandemic
  - Down 50% from 1Q22 and 62% from 2Q21
- Total volume including pro rata bank volume was $116bn, a six-quarter low

Source: Leveraged Commentary and Data. Data through June 30, 2022

- After a spike of activity in April, the secondary selloff in May halted deals in the market or drove deep discounts
- As such, upward price flexes led downward price flexes by 7 to 3 in May and 7 to 5 in June
M&A Activity

- M&A loan volume accounted for 67% of 2Q22 U.S. institutional loan volume
- Given market conditions, opportunistic financing activity, including refinancing and dividend recapitalizations, mustered just 24% of the total, the lowest level since 2020

Source: Leveraged Commentary and Data. Data through June 30, 2022
New-issue spread for B/B+ institutional loans rose in June to 463 bps, the highest level since December 2018. Average yield to maturity remained above 7.55% in 2Q22, rose 175 bps from March, and is also at its highest level since June 2020. Yields have continued to widen during the beginning of 3Q22.

Investors showed a lower appetite for riskier loans as issuance of credits with at least one B- equivalent rating dropped to a 2 year low of 34% in 2Q22. In contrast, issuance from credits rated B/B+ rose to 40%, the highest level since 3Q17.
**Leverage Statistics**

*Average Debt Multiples of Large Corporate and LBO Loans*(1)

- Average leverage for all large corporate loans fell from a high of 5.5x in 1Q22 to 5.1x in 2Q22.
- Loans for large corporate leveraged buyouts rose to an all-time high with an average leverage of 6.3x despite market volatility.

*Equity Contribution for Large Corporate LBOs*(1)

- Equity contribution for large corporate leveraged buyouts remained at around 40% in 2Q22 after more elevated levels from 2019-2021.

Source: Leveraged Commentary and Data, Data through June 30, 2022

(1) Issuers with greater than $50 million in EBITDA.
EBITDA Adjustments and Synergies

**Adjustments as a Percent of EBITDA\(^{(1)}\)**

- In 2021, LBO loans featured adjustments equal to 13% of EBITDA compared to 10% for All deals.
- However, adjustments were more conservative in 2Q22 with ~10% and ~8% for LBO loans and All deals, respectively.

**Average Synergies/EBITDA Ratio for Acquisition-Related Transactions\(^{(2)}\)**

- The average synergies/EBITDA ratio has trended downwards from 11.8% in 2019 to 6.8% in 2Q22.

Source: Leveraged Commentary and Data. Data through June 30, 2022

\(^{(1)}\) EBITDA adjusted for prospective cost savings or synergies

\(^{(2)}\) Excludes LBOs
Section 2: Private Debt
Instability in the liquid, syndicated market and overhang of underwritten transactions on bank balance sheets has shifted flow to private debt lenders.

- 2Q22 surge in volume was largely driven by a string of private jumbo loan financings (>$1 billion) which accounted for 49% of volume.
- Volume is expected to decline in Q322 on the back of declining M&A volume.

Jumbo loans lifted share of LBOs to 43% in 2Q22, and to 55% in June alone.
- Add-on M&A in 2Q22 grew to 39%, from 37% in 1Q22.
- Dividends accounted for only 3% of 2Q22 volume, down from 16% in 1Q21.

Source: Direct Lending Deals (calculated based on rolling 90 days data). Data through June 2022.
Average Leverage Multiples

LBO Leverage

Rolling 90-day average

- LBO unitranche leverage has remained consistent over the past several quarters in the ~6x range
- Competition and growing capacity for unitranche commitments have increased debt multiples beyond traditional senior / total structures

All Private Deals for Borrowers with Less than $20MM in EBITDA

Rolling 90-day average

- Total leverage multiples for sub-$20 million borrowers grew consistently since June 2021 before dropping significantly in 2Q22

Source: Direct Lending Deals (calculated based on rolling 90 days data). Data through June 2022
Industrials, Healthcare, and Information Technology remain the most active sectors, accounting for ~64% all deals

Source: Direct Lending Deals. Data is for LTM June 30, 2022
Spreads and Yields

- Unitranche spreads rose slightly to 589 bps, nearly a 50 bps increase since December 2021, but inside the high watermark of 597 bps in April 2021
- Although the private credit market continues to hold up better than the broadly syndicated market, unitranche spreads are expected to continue to tick up in Q322 exceeding 600 bps, the highest level of the year

- Rate hikes and spread increases pushed yields to 8.7% in June, up from 7.3% in March; gain from January is 2.1%
- Still, based on recently priced second lien loans exceeding 12-13%, unitranche pricing compares favorably to a blended 1L BSL/2L loan execution

Source: Direct Lending Deals (calculated based on rolling 90 days data). Second Lien data not available for 1Q22 and 2Q22. Data through June 2022
Pricing Premium and Distribution

**Private Unitranche vs. Single-B BSL Premium**

- Private credit markets have been more resilient than the BSL market with the unitranche spread premium to the single-B BSL market declining significantly, down nearly 30% to 88 bps in 2Q 2022.

**Distribution of First Lien Pricing: LTM 2Q22**

- First lien pricing between 500 and 600 bps continues to be the most common structure, with ~87% of deals pricing at 650 bps or less.

Source: Direct Lending Deals. Data through June 2022.
## Megatranche Deals

<table>
<thead>
<tr>
<th>Company</th>
<th>Date</th>
<th>Arrangers</th>
<th>Sponsor</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zendesk (Rec Rev)</td>
<td>Jun-22</td>
<td>Blackstone, Apollo, Owl Rock, HPS, Golub, KKR</td>
<td>Hellman &amp; Friedman</td>
<td>5,000</td>
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<tr>
<td>Unified Women's Health</td>
<td>Jun-22</td>
<td>Blackstone</td>
<td>Atlas Partners</td>
<td>1,360</td>
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<tr>
<td>Bottomline Technologies</td>
<td>Jun-22</td>
<td>Ares, Golub, Stone Point, CBAM, MSPC</td>
<td>Thoma Bravo</td>
<td>1,300</td>
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<tr>
<td>Tivity Health</td>
<td>Jun-22</td>
<td>Apollo, HPS, Stone Point (SPC Finco), BSP, Owl Rock</td>
<td>Stone Point</td>
<td>1,200</td>
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<tr>
<td>Risk Strategies</td>
<td>Jun-22</td>
<td>Golub, Midcap</td>
<td>Kelso</td>
<td>950</td>
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<tr>
<td>ManTech</td>
<td>May-22</td>
<td>Blackstone, Oak Hill, Crescent, Owl Rock</td>
<td>Carlyle Group</td>
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<td>NPD/Information Resources</td>
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<td>Blackstone, Ares, Owl Rock, Oak Hill</td>
<td>Hellman &amp; Friedman</td>
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<td>Nielsen</td>
<td>May-22</td>
<td>Ares</td>
<td>Elliot Mgm</td>
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<td>Kaseya</td>
<td>Apr-22</td>
<td>Golub, Blackstone, Ares, Owl Rock, Oak Hill, Carlyle</td>
<td>Insight Partners</td>
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<td>SailPoint</td>
<td>Apr-22</td>
<td>Golub, Blackstone, Owl Rock</td>
<td>Thoma Bravo</td>
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<td>Anaplan</td>
<td>Mar-22</td>
<td>Owl Rock, Blackstone, Golub, Apollo</td>
<td>Thoma Bravo</td>
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<td>Radwell</td>
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<td>Golub</td>
<td>CVC Capital</td>
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<td>AmeriVet</td>
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<td>Golub, KKR</td>
<td>AEA, Abu Dhabi Invest Authority</td>
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<td>Tank Holdings</td>
<td>Feb-22</td>
<td>Antares, Carlyle, Barings</td>
<td>Olympus</td>
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<td>Donuts Inc.</td>
<td>Feb-22</td>
<td>Blackstone</td>
<td>Ethos Capital</td>
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</tbody>
</table>

- 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 some transactions

All deal size amounts are in US $ millions
Source: Direct Lending Deals
# Recurring Revenue Loans

<table>
<thead>
<tr>
<th>Company</th>
<th>Date</th>
<th>Industry</th>
<th>Arrangers</th>
<th>Sponsor</th>
<th>Size</th>
<th>Pricing</th>
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<tbody>
<tr>
<td>Zendesk</td>
<td>Jun-22</td>
<td>Technology</td>
<td>Blackstone, Apollo, Owl Rock, HPS, Golub, KKR</td>
<td>Hellman &amp; Friedman</td>
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<tr>
<td>BetterCloud</td>
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<td>Vista Equity</td>
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<td>SailPoint</td>
<td>Apr-22</td>
<td>Technology</td>
<td>Golub, Blackstone, Owl Rock</td>
<td>Thoma Bravo</td>
<td>TBD</td>
<td>NA</td>
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<tr>
<td>Anaplan</td>
<td>Mar-22</td>
<td>Technology</td>
<td>Owl Rock, Blackstone, Golub, Apollo</td>
<td>Thoma Bravo</td>
<td>2,500</td>
<td>NA</td>
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<td>Invicti Security</td>
<td>Dec-21</td>
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<td>Talend</td>
<td>Sep-21</td>
<td>Technology</td>
<td>Owl Rock, Apollo, Oaktree</td>
<td>Thoma Bravo</td>
<td>1,075</td>
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<td>Passageways</td>
<td>Aug-21</td>
<td>Technology</td>
<td>Antares</td>
<td>JMI Equity</td>
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<td>N/A</td>
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<td>Medallia</td>
<td>Jul-21</td>
<td>Technology</td>
<td>Blackstone, Apollo, KKR</td>
<td>Thoma Bravo</td>
<td>1,800</td>
<td>N/A</td>
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<td>Appriss Health</td>
<td>May-21</td>
<td>Technology</td>
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<td>Clearlake</td>
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<td>N/A</td>
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<tr>
<td>Pluralsight</td>
<td>Apr-21</td>
<td>Technology</td>
<td>Owl Rock, Ares</td>
<td>Vista Equity</td>
<td>1,100</td>
<td>L + 800</td>
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<td>Sciforma</td>
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<td>Elm Park Capital</td>
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<td>Prophix</td>
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<td>Carlyle</td>
<td>Hg</td>
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<td>Instructure</td>
<td>Dec-20</td>
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<td>Antares</td>
<td>Thoma Bravo</td>
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<td>LogicMonitor</td>
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<td>Technology</td>
<td>Antares</td>
<td>Vista Equity</td>
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<td>Majesco</td>
<td>Jul-20</td>
<td>Technology</td>
<td>Ares, Golub</td>
<td>Thoma Bravo</td>
<td>N/A</td>
<td>L + 775</td>
</tr>
</tbody>
</table>

- Private debt lenders are making more and larger recurring revenue loans that have provided private equity sponsors flexibility to finance high growth technology companies prior to profitability
- Companies in the technology sector are the dominant borrowers for recurring revenue loans supported by high growth, highly recurring subscription-based revenues, and high retention rates
- Zendesk, a recurring revenue deal, is the largest private debt financing ever at $5 billion