



Leveraged Finance Healthcare and Technology Market Update

Week ended December 2nd, 2022

INSTITUTIONAL USE ONLY

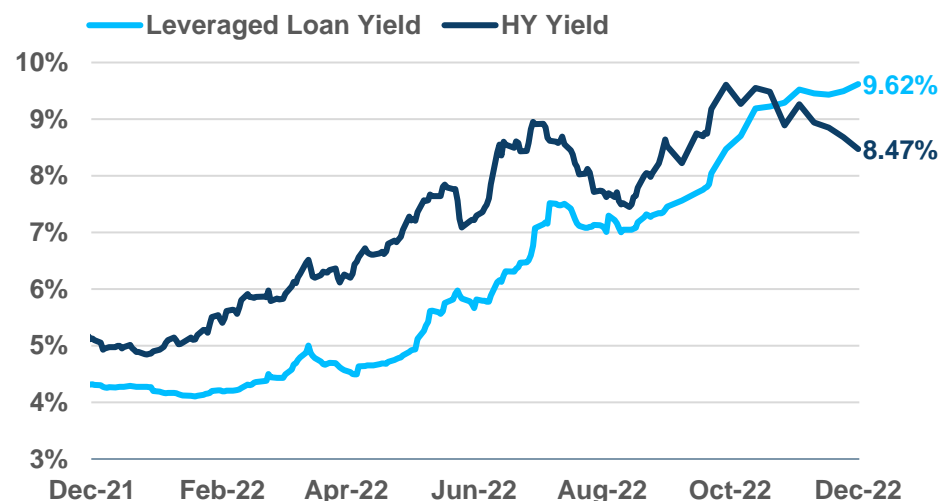
Leveraged Finance Market Overview

Week ended December 2nd, 2022

Market Commentary

- Leveraged loans posted an outflow of \$469.9 million and high yield funds broke its' 6-week streak of inflows with outflows of \$971.5 million last week
- 2023 gross institutional loan volume estimates are beginning to be released with ranges of \$240 – \$300 billion
- Various street projections for high-yield bond volume ranged from \$170 to \$210 billion with the use of proceeds skewing heavily to refinancing
- Some market participants believe there is a potential for increased primary market activity in the near term due to a clearer backdrop for growth and inflation, slower pace of Fed tightening, and less volatility with that activity weighted toward the second half of the year
- Market participants viewed Fed Chairman Jerome Powell's Nov. 30 speech, in which he signaled a slowdown to the pace of the central bank's increases, as a strong indicator for a 50-bps increase in the upcoming December meeting

Broad Market Performance



Healthcare Commentary

- Healthcare YTD leveraged loan volume in the pro rata and institutional markets are \$19.7 billion (-35%) and \$17.0 billion (-75%), respectively
- There was no HY bond issuance in healthcare this past week
- YTD high yield volume in healthcare is \$6.8 billion (-80%)
- Average new issue yield YTD across secured, unsecured, and subordinated bonds is 6.22% compared to relative 2021's 5.03%
- The healthcare HY index moved another 19 bps tighter to 9.87%
- DispatchHealth obtained debt financing of up to \$150 million for growth initiatives. Radon Medical Imaging received loans backing a recap. Paradigm Oral Health received a senior secured credit facility backing an investment by BlackRock. Pinnacle Clinical Research obtained a senior secured credit facility to back a buyout by private equity firm LongueVue Capital

Technology Commentary

- Technology YTD leveraged loan volume in the pro rata and institutional markets are \$33.9 billion (+3%) and \$67.7 billion (-49%), respectively
- There was no HY bond issuance in technology this past week
- YTD high yield volume in technology is \$18.2 billion (-67%)
- Average new issue yield YTD across secured, unsecured, and subordinated bonds is 7.59% compared to relative 2021's 4.69%
- The technology HY index moved 24 bps tighter to 8.34%
- Rubicon Technologies Inc. has amended its loans, pushing out maturities on the debt. The company amended its \$60 million revolving loan facility from December 2018 by one year to Dec 2023. The interest rate is modified to Sofr+550

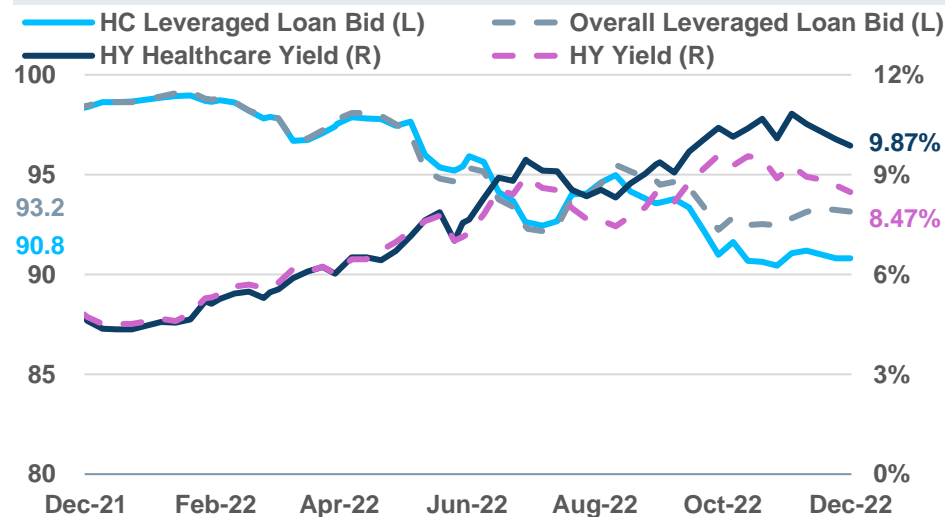
Healthcare Leveraged Finance Overview

Week ended December 2nd, 2022

Recently Announced M&A

- 12/01/2022 – Hamilton Thorne Biosciences to acquire Microptic for \$10 million
- 12/01/2022 – Integra LifeSciences to acquire Surgical Innovation Associates for \$140 million
- 11/30/2022 – NextGen Healthcare to acquire TSI Healthcare for \$68 million
- 11/29/2022 – Rithesh Menon to acquire Audiology Plus
- 11/29/2022 – Boston Scientific to acquire Apollo Endosurgery for \$615 million
- 11/28/2022 – Therapy Brands Holdings to acquire The Echo Group
- 11/28/2022 – CAIRE to acquire MGC Diagnostics for \$170 million

LTM Healthcare Indices



Recently Priced Deals

Date	Company	Sponsor	Transaction Type	Facility	Corp Rating	Final Pricing	Commentary
11/21/22	Ingenovis Health	Cornell Capital; Trilantic	Acquisition	\$85M Term Loan B (Incremental)	B2/B	S+CSA+425, 0.50% floor, 95.00% OID	Proceeds will be used to finance an acquisition
09/20/22	Covetrus Inc	Clayton Dubilier & Rice; TPG Capital	LBO	\$1,525M First-lien Term Loan \$350M Second-lien Term Loan	B2/B-	S+500, 0.50% floor, 94.00% OID Privately Placed	Proceeds will be used to finance the take-private buyout of the company at \$21 per share in cash, representing an enterprise value of around \$4 billion
08/18/22	Eyecare Partners	Partners Group	Acquisition	\$250M First-lien Term Loan (Incremental)	B3/B-	S+CSA+450, 0.50% floor, 93.00% OID	Proceeds from the loan, which was upsized by \$25 million, will be used to fund a tuck-in acquisition and to repay a revolver draw that is also associated with tuck-in M&A

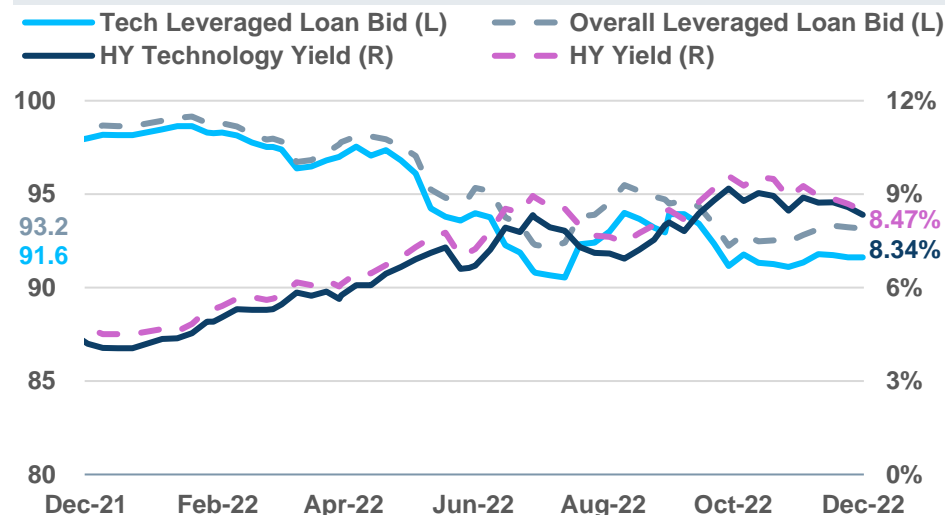
Technology Leveraged Finance Overview

Week ended December 2nd, 2022

Recently Announced M&A

- 12/02/2022 – Mintec Global to acquire CommoPrices
- 12/01/2022 – Komgo to acquire GlobalTrade Corporation
- 12/01/2022 – TechInsights to acquire IC Knowledge
- 11/30/2022 – Agilitas Private Equity to acquire Saab AB for \$41 million
- 11/30/2022 – Real IT Solutions to acquire Bridge IT Support
- 11/29/2022 – Dropbox to acquire Secomba
- 11/29/2022 – RegScale to acquire GovReady
- 11/28/2022 – Volatus Aerospace to acquire Empire Drone Company
- 11/28/2022 – Babel Street to acquire Basis Technology Corporation
- 11/28/2022 – Equals Group to acquire Roqquet

LTM Technology Indices



Recently Priced Deals

Date	Company	Sponsor	Transaction Type	Facility	Corp Rating	Final Pricing	Commentary
11/22/22	Nielsen	Evergreen Coast; Brookfield Capital	LBO	\$2,100M Term Loan B \$1,960M 6.5-Year Senior Secured Notes	B3/B-/B+	S+CSA+500, 0.50% floor, 89.00% OID 9.290% coupon issued at 92.294	Proceeds will be used for Evergreen Coast Capital and Brookfield Business Partners' \$16 billion buyout of Nielsen Holdings. The transaction includes \$2.5 billion TLA, a \$3.35 billion dollar TLB, a €510 million euro TLB and a \$2.15 billion 2nd lien TL
11/21/22	Sabre Holdings Corp	Not Sponsored	Refinancing / Bank Debt	\$555M 5-Year Senior Secured Notes	Ba3/B	11.250% coupon issued at 98.134	Net proceeds from this offering, plus cash on hand, are intended to be used to repay the remaining \$536 million TLB due February 2024

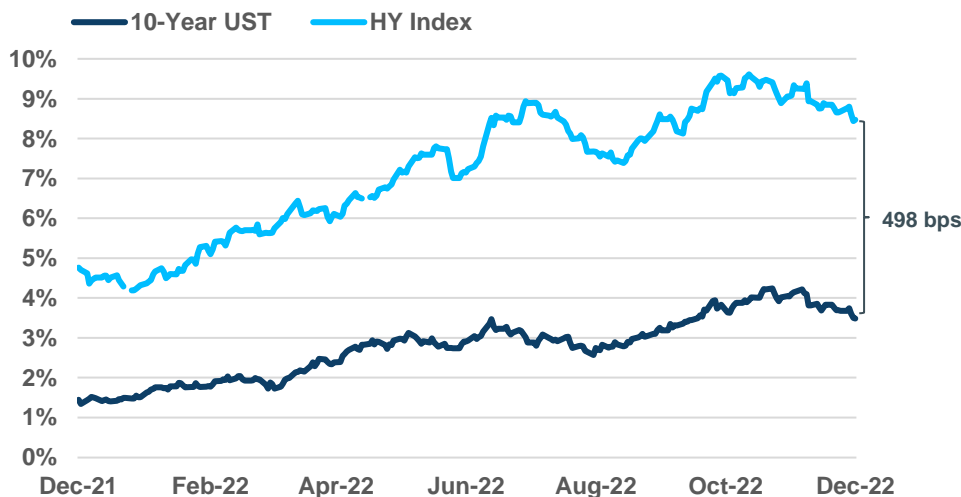
High Yield Market Overview

Week ended December 2nd, 2022

Supply and Demand Dynamics Commentary

- Despite an improving market backdrop, the pipeline for US high-yield bonds is at a standstill with the first zero-sum week since September
- November volume ended with \$9.2 billion via nine tranches. There have been 8 months in 2022 where issuance failed to break the \$10.0 billion threshold
- The bond-for-loan take-out activity in 2022 was just \$3.2 billion, down from \$26.7 billion last year
- Investor sentiment has soured in recent months as eyes were glued to the Federal Reserve's trajectory on interest rate hikes to curb inflation and ease recessionary concerns, driving the slowdown in supply
- US high-yield retail funds snapped a six-week streak of net inflows as investors start focusing on portfolio balancing in the final weeks of 2022. Outflows totaled \$971.5 million last week. \$13.9 billion influx logged over the last six weeks

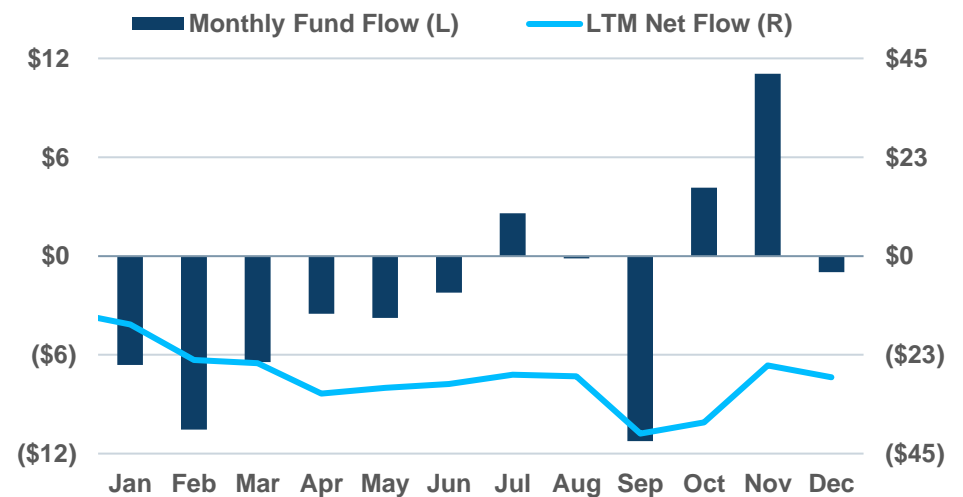
High Yield Performance



LTM Historical Issuance (\$B)



LTM Funds Flows (\$B)



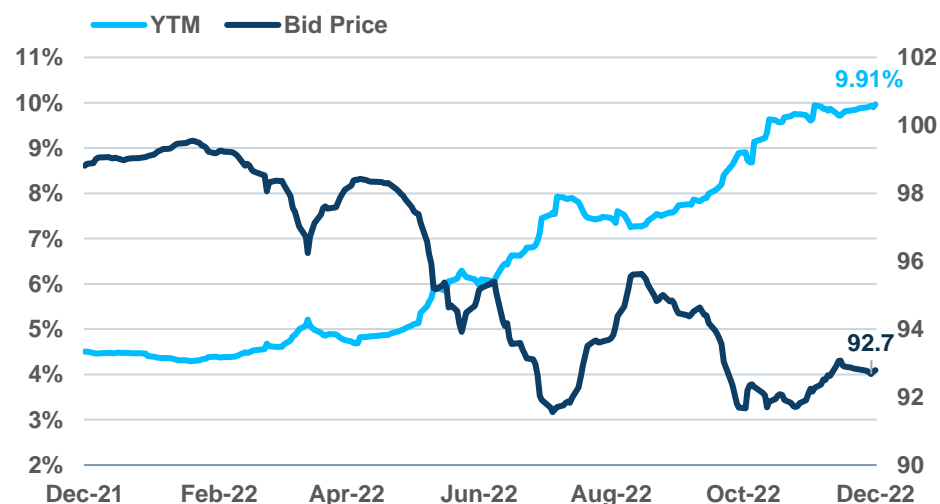
Leveraged Loan Market Overview

Week ended December 2nd, 2022

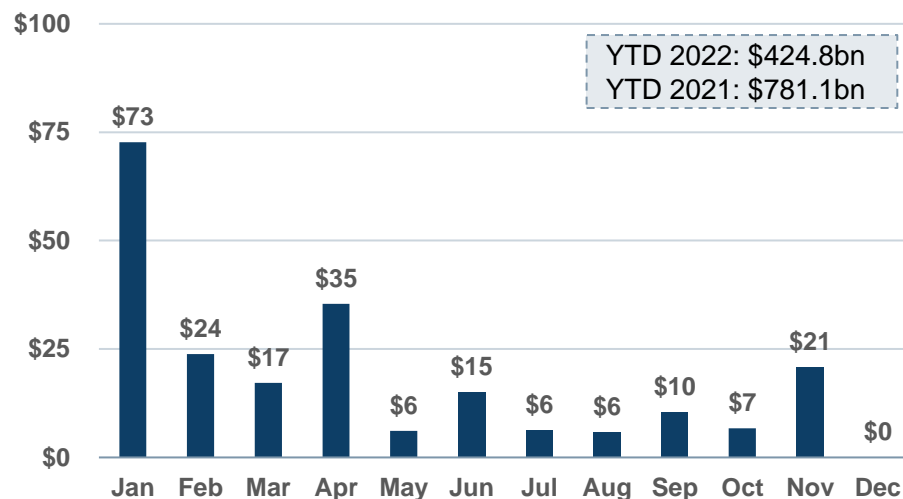
Supply and Demand Dynamics Commentary

- 2022 has been a challenging year for the leveraged loan market amid economic uncertainty and geopolitical concerns
- As year-end draws near, market participants are making forecast estimates on gross institutional loan issuance for 2023 ranging from \$240 billion to \$300 billion, upwards to a 30% increase from 2022
- While 2022 has been one of the slowest periods in years for the primary market, the fourth quarter gave a promising outlook as stabilizing markets have opened a window of opportunity
- In November borrowers stepping up to address upcoming maturities led to a 12-month high of \$14.1 billion for refinancing volume
- US loan funds posted an outflow of roughly \$469.9 million last week, bringing the YTD losses to \$5.1 billion

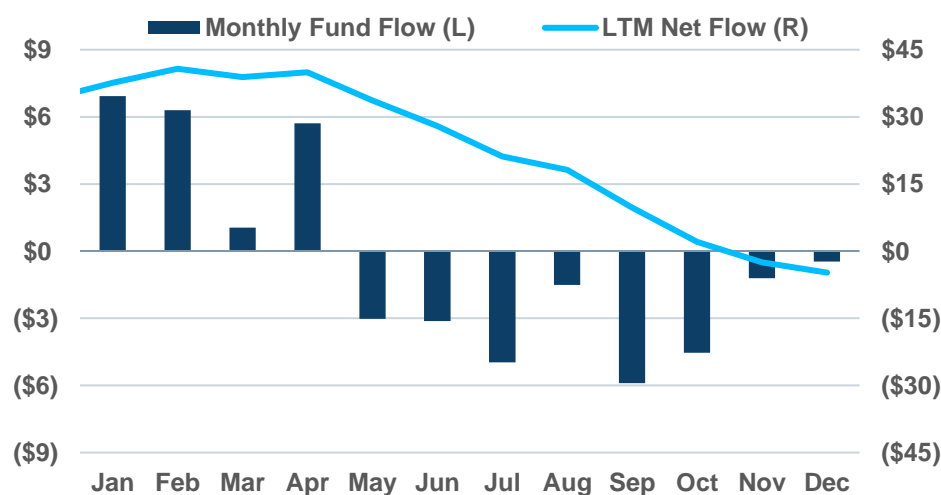
Single B Term Loan Performance



LTM Historical Issuance (\$B)



LTM Fund Flows (\$B)



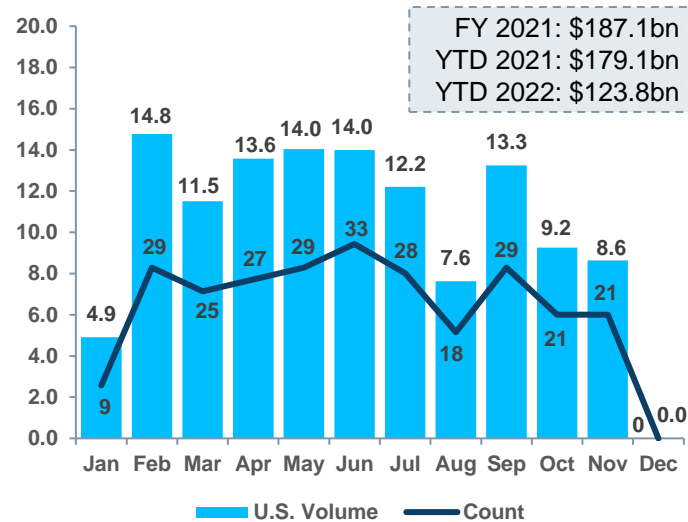
CLO Market Update

Week ended December 2nd, 2022

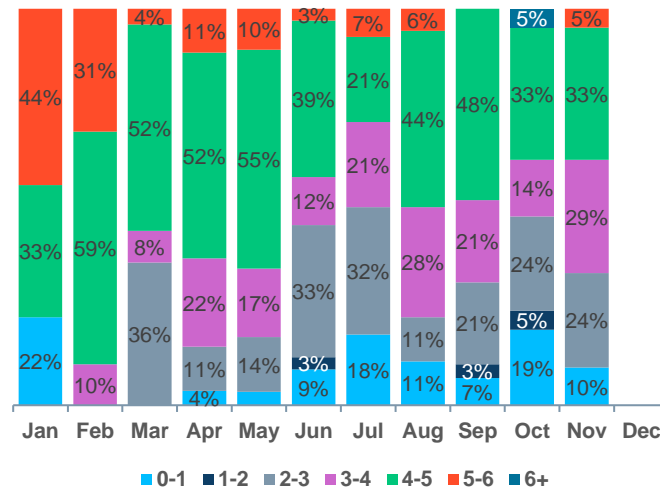
Commentary

- In a slow week after the holiday break, 4 deals priced over the last week for \$1.8bn in volume
- November's slow month is emblematic of current market conditions, especially compared to November 2021 when over 50 deals priced for roughly \$26.4bn in volume
- Generally, spreads across CLO issuance continue to remain elevated as investors are requiring more return given continued poor primary and secondary performance
- Deals continue to price with limited non-call and/or reinvestment periods leading to capital being returned to investors faster during the amortization period
- Expectations for 2022 global CLO volume are generally expected to reach \$140bn across BSL and middle-market CLOs
- The first 2023 CLO volume expectations have been released with a range of \$90.0bn – \$120.0bn due to macro-induced volatility and poor new loan creations

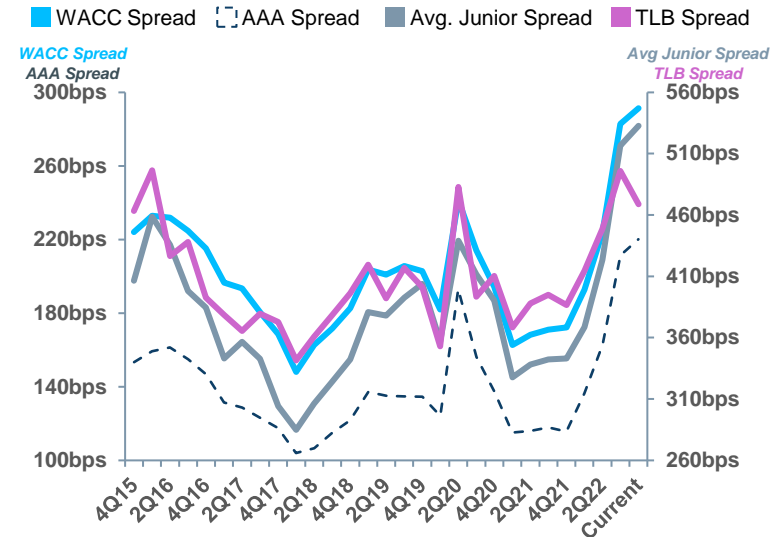
CLO Creation and Count



CLO Spreads vs. Single-B TLB Pricing



Spreads across CLO Risk Stacks



Recent CLOs Priced

Manager	Current			Previous		
	Size	Date	WACC	Size	Date	WACC
CVC	545.3	11/29/22	284	492.5	08/10/22	272
CSAM	487.1	11/29/22	288	476.3	09/30/22	267
BSP	482.9	11/28/22	291	488.1	09/29/22	252
PPM	297.3	11/28/22	323	408.0	09/17/21	169
Capital Four	389.2	11/22/22	310	396.9	08/26/22	279

■ Wider ■ Tighter

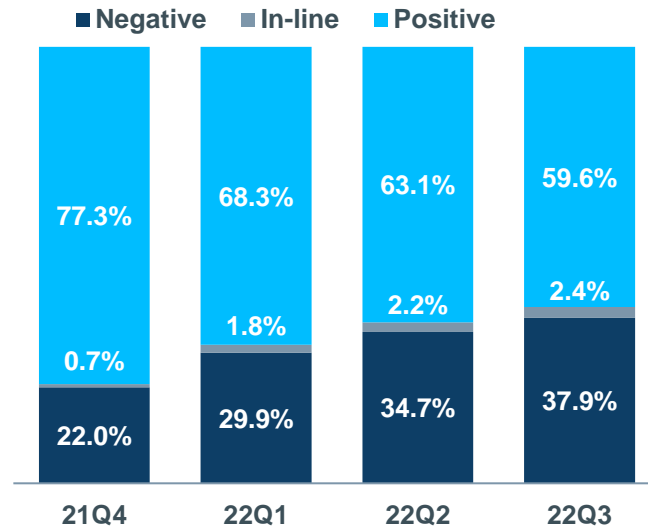
Corporate Credit Metrics and Financial Performance

Data as of November 30th, 2022

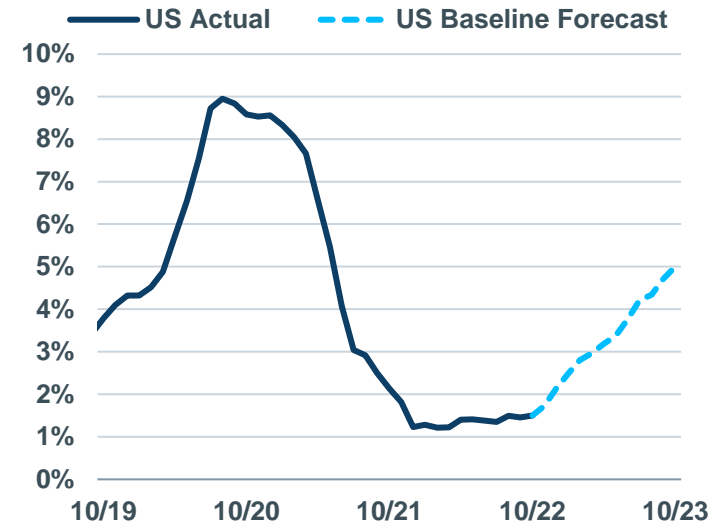
Commentary

- Downgrades in the US leveraged loan market outpaced upgrades in the third quarter at the fastest rate since the default peak of September 2020
- The credit ratings of 74 facilities were downgraded in the third quarter ended Sept. 30, more than twice the number during the first quarter of calendar 2022. This is double the ratio from the second quarter, when downgrades and upgrades were near parity
- At the facility level, downgrades outpaced upgrades for a 5th consecutive month in October, at 2.47x, the highest rate of downgrades over upgrades since the default peak of September 2020
- The face value of issues in the distressed subset of the Morningstar US High-Yield Bond Index ticked down to \$110.13 billion from \$110.79 billion the week prior

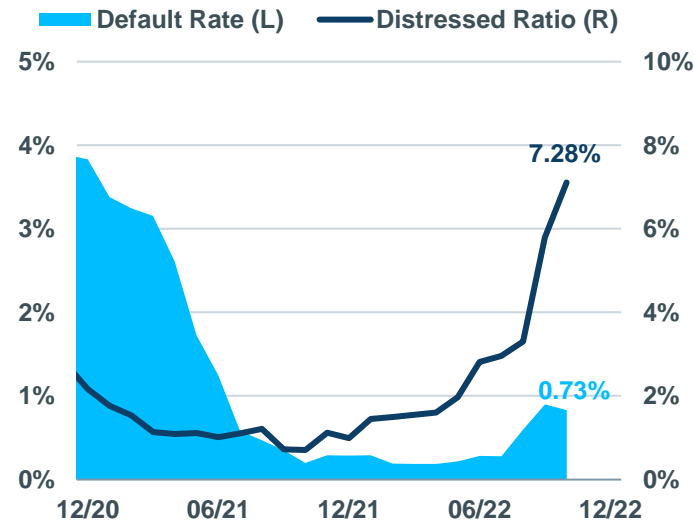
2022 S&P Earnings Beats and Misses



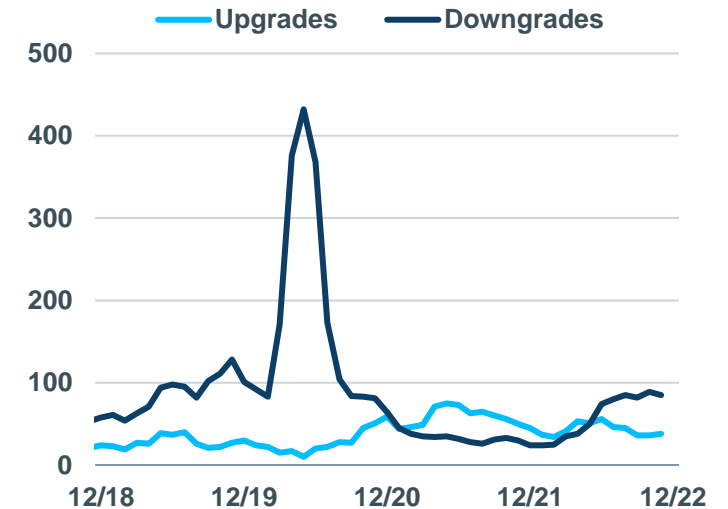
Sub-IG Default Rate Outlook



Risk in Distressed Credit – Loans



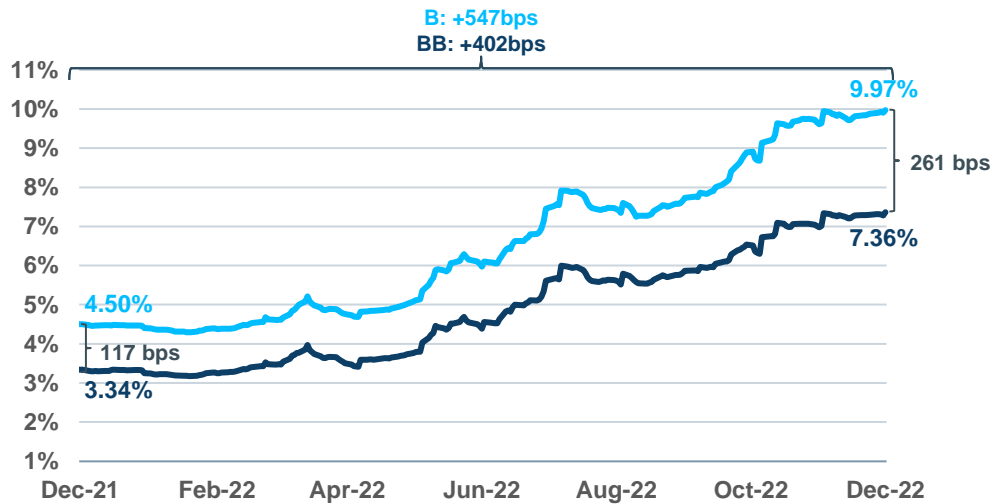
Rolling 3m # of Upgrades and Downgrades



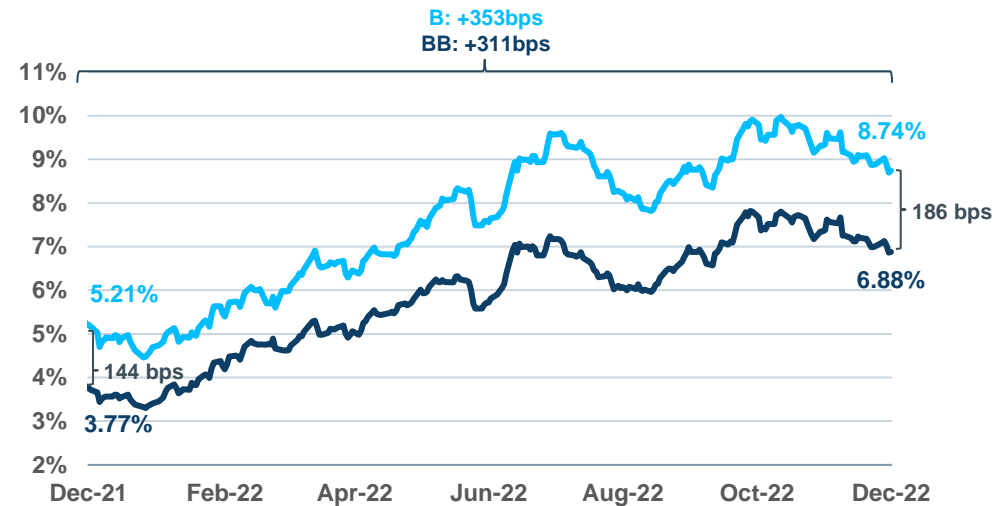
Last-twelve-months Market Performance

Week ended December 2nd, 2022

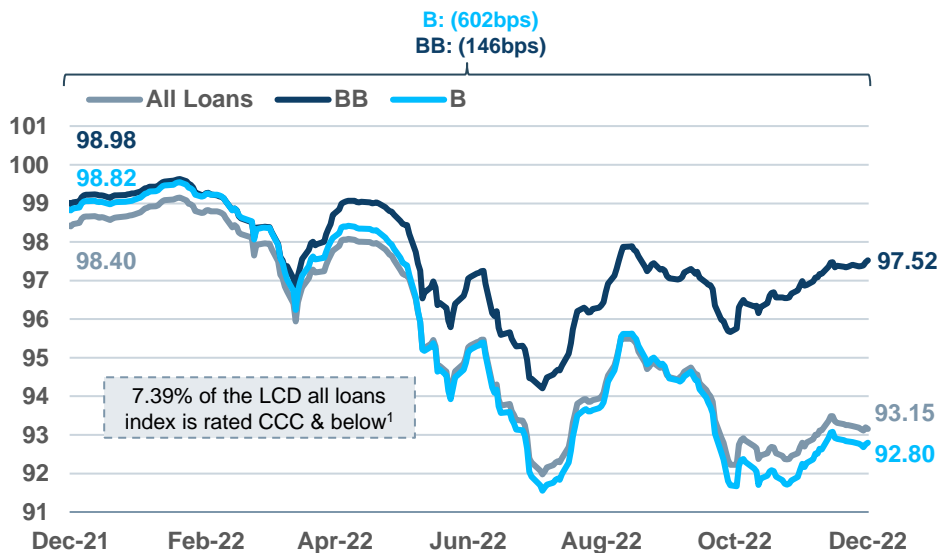
Leveraged Loans Secondary Performance – Yield



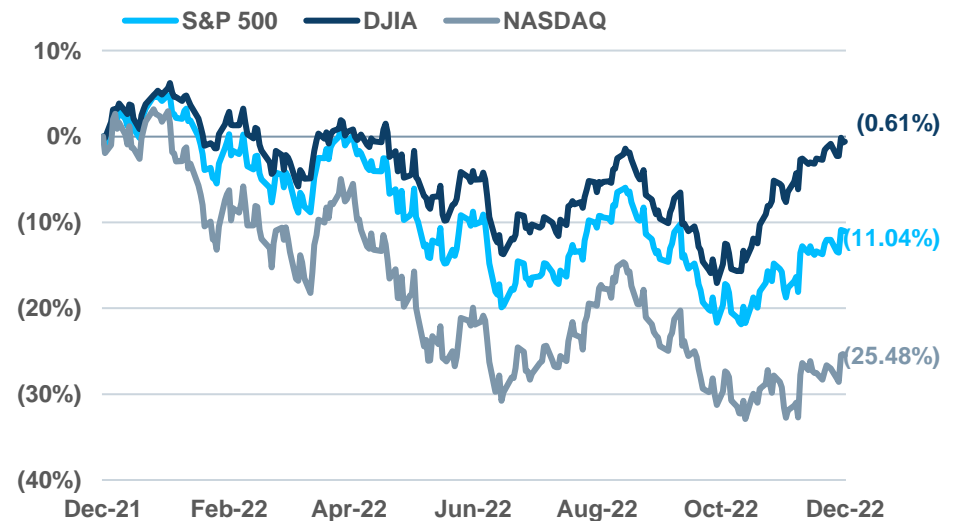
High Yield Secondary Performance



Leveraged Loans Secondary Performance – Price



Equity Market Performance



Leveraged Finance Capital Markets Key Indicators

Week ended December 2nd, 2022

Week Ending	10/21/22	10/28/22	11/04/22	11/10/22	11/18/22	11/25/22	12/02/22	YTD Change	LTM Change
Market Data									
S&P 500	3,753	3,901	3,771	3,956	3,965	4,026	4,072	(694)	(505)
VIX	29.69	25.75	24.55	23.53	23.12	20.50	19.06	1.84	(8.89)
US 3-month SOFR (%)	4.06%	4.09%	4.09%	4.27%	4.30%	4.41%	4.45%	4.5%	4.4%
US 3-month LIBOR (%)	4.36%	4.44%	4.55%	4.65%	4.66%	4.73%	4.73%	4.5%	4.6%
US 10-year Treasury Yield (%)	4.22%	4.02%	4.16%	3.84%	3.81%	3.69%	3.51%	2.0%	2.1%
High Yield Market									
Broad HY Market Index Yield (%)	9.48%	8.89%	9.26%	8.94%	8.85%	8.68%	8.47%	4.2%	3.7%
Broad HY Market Index Spread (bps)	499	454	477	480	465	452	450	140	96
BB Index Yield (%)	7.72%	7.17%	7.57%	7.25%	7.20%	7.01%	6.88%	3.5%	3.1%
BB Index Spread (bps)	326	285	308	311	300	287	294	83	43
B Index Yield (%)	9.79%	9.15%	9.48%	9.17%	9.07%	8.89%	8.74%	4.1%	3.5%
B Index Spread (bps)	524	472	497	503	485	471	473	122	72
CCC & Lower Index Yield (%)	16.77%	16.22%	16.65%	16.36%	16.11%	16.02%	15.16%	7.4%	7.0%
CCC & Lower Index Spread (bps)	1,243	1,201	1,220	1,227	1,194	1,191	1,122	444	407
								2022 Total	LTM Total
Bond Fund Flows (\$ millions)	328	2,660	5,100	1,040	2,710	2,207	(971)	(27,641)	(25,879)
New US HY Issue Volume (\$ billions)	2.0	0.2	1.5	7.6	0.4	1.1	0.0	102.4	111.6
New US HY Issue Priced (# of issues)	1	1	1	7	1	2	0	147	162
Leveraged Loan Market									
BB Loan Index Spread (L + bps)	274	274	275	275	276	276	278	(20)	(13)
BB Loan Avg Bid Price	96.565	96.665	96.889	97.169	97.384	97.408	97.523	(1.733)	(1.460)
B Loan Index Spread (L + bps)	381	381	381	381	381	382	380	(28)	(22)
B Loan Avg Bid Price	91.921	91.821	92.277	92.642	92.900	92.814	92.796	(6.296)	(6.022)
								2022 Total	LTM Total
Loan Fund Flows (\$ in millions)	(1,180)	(725)	379	(695)	(374)	(513)	(470)	(4,778)	(2,976)
New CLO Issuance (\$ in billions)	2.4	2.4	2.3	1.1	4.1	1.6	1.6	133.9	143.1
New US Loan Issue Volume (\$ in billions)	1.8	0.9	3.9	5.8	9.5	0.0	3.5	220.2	228.6
New US Loan Issue Priced (# of issues)	1	2	5	6	11	0	5	282	310

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