



Quarterly Update Third Quarter 2021

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KEY HIGHLIGHTS

CAPITAL RESTRUCTURING THIRD QUARTER 2021 KEY HIGHLIGHTS

We are pleased to share with you the *SOLICconnect* Capital Restructuring Perspectives quarterly update which includes perspectives relevant to restructuring and bankruptcy professionals, attorneys, workout groups, lenders, distressed debt investors, and other interested parties in the capital restructuring space.

Defaults and Distress: At the end of third quarter 2021, Moody's and S&P reported default rates of 2.5% and 2.4%, respectively. Low levels of loan default rates are expected well into 2022 with almost all near-term indicators of future defaults suggesting a lower default rate ahead, with credit metrics stabilizing, continued favorable lending conditions, and a strong economic rebound anticipated into next year.

Valuations in leveraged credits remain a concern. Significant growth in valuations has driven leverage to rise, together with looser document terms. Pandemic-related tailwinds are being viewed as not sustainable in many instances, implying higher intermediate-term real leverage. Deteriorating document quality, which is already cited as influencing credit portfolios, will also impact the number and timing of defaults in the credit markets. Expiring favorable EBITDA adjustments have the potential to elevate leverage levels to more indicative levels of actual performance.

A potentially volatile mix of influences is seen driving credit portfolios. According to LCD's recent Leveraged Finance Survey, pandemic-related impacts topped the list of factors likely to affect the performance of credit portfolios, followed by withdrawal of Fed liquidity and potential inflation risks. Inflation is expected to top the Fed's 2% target a year from now.

Companies have been refinancing high-yield debt at a record pace. In regard to leveraged loans, the year-over-year volume of refinancing activity is second only to 2013, helping to reduce near-term maturities, and therefore easing default pressure.

Intense demand for paper is exacerbated by highly robust middle market CLO activity driven by yield-starved investors in a continued low rate environment. Significant CLO competition is increasingly driving lenders to willingly match terms that borrowers are seeking, otherwise risk losing deals to more acquiescent debt providers. The third quarter was the third consecutive quarter that the CLO market has established a new issuance record, with deal flow at \$130 billion year to date, topping the yearly volume record of \$129 billion in 2018.

Covenant-lite is creeping into the private debt market. Covenant-lite structures now dominate the broadly syndicated loan market. In 3Q21 the share of covenant-lite institutional loans surpassed 90%. Traditionally covenants were one of the main differentiators between the private debt market and the broadly syndicated loan market, which made sense since private loans are typically buy-and-hold structures. So long as market conditions remain highly competitive, covenant erosion is likely to continue and move further down market.

Loan Market: Overall leveraged finance volume is in record territory based on YTD 3Q21 levels. The U.S. leveraged loan market is on a record pace for issuance in 2021. Powered by stimulus-fueled market conditions and an institutional investor base that remains starved for yield, the U.S. leveraged finance market saw a total market size topping \$3 trillion.

Loan issuance from single-B companies was \$352 billion in the first nine months of 2021, exceeding the prior apex of \$278 billion in 2017, and eclipsing the full-year record of \$334 billion, also in 2017. This wave of issuance has propelled the amount of institutional U.S. leveraged loans outstanding, as measured by the S&P/ LSTA Leveraged Loan Index, to a record \$1.3 trillion. The index has grown for seven straight months.

While repricing and refinancing cooled off from the very robust levels earlier this year, dividend recapitalizations — which often includes refinancing existing debt — remained popular. Total volume of dividend recapitalizations is already at a full-year record, surging to \$67 billion YTD 3Q21.

Despite this flood of activity, the new-issue spread for B issuers fell to L+402 on average in the third quarter, from L+420 in the second quarter, while B-minus spreads were roughly unchanged, at L+437.

The average yield at issuance for new high-yield bonds in the third quarter dipped to a record low for any calendar quarter, at 5.12%, extending sequential quarterly declines from 5.92% in the final quarter of 2020.

Maturity Wall: Recent refinancings continue to put a dent in near-term maturities. The volume of loans coming due in 2021-2023 fell by \$6 billion between August and September to \$50 billion. The volume of loans coming due in 2021-2023 was \$225 billion less at the end of September than it was at the end of 2019. Further, the volume of loans coming due in 2024-2025 shrank by \$205 billion between the end of 2019 and September 2021.

We welcome your comments and hope you find our *SOLICconnect* report informative.




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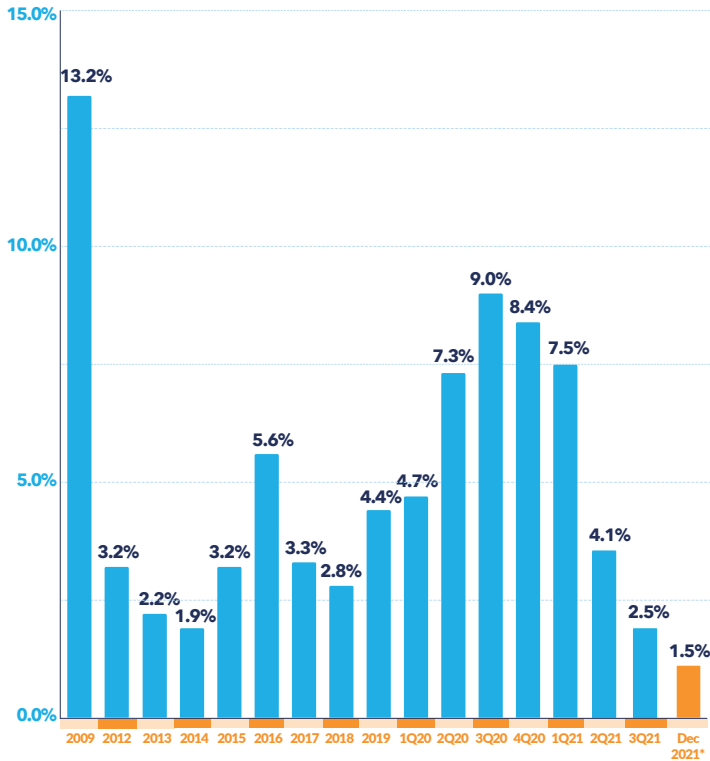

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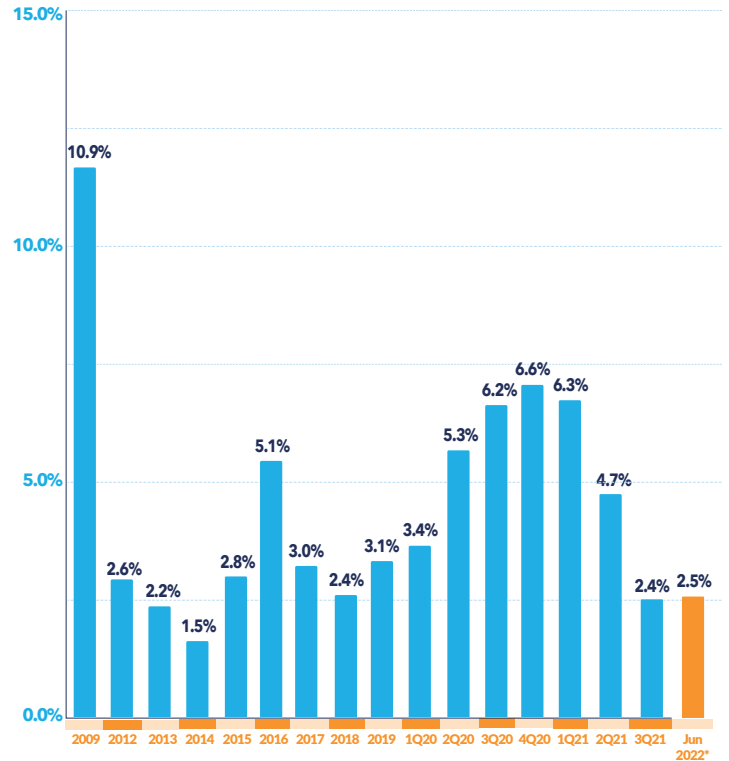
DISTRESSED MARKET INDICATORS

Moody's U.S. Speculative Grade Default Rate



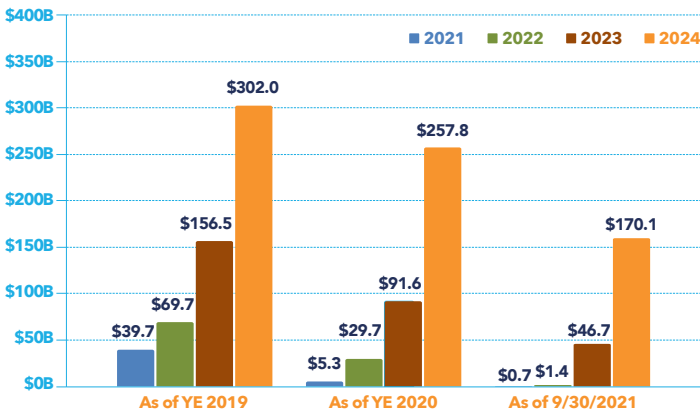
* Forecast
Note: 2014 default rates from Moody's and S&P exclude EFH

S&P U.S. Speculative Grade Default Rate



* Forecast
Note: 2014 default rates from Moody's and S&P exclude EFH

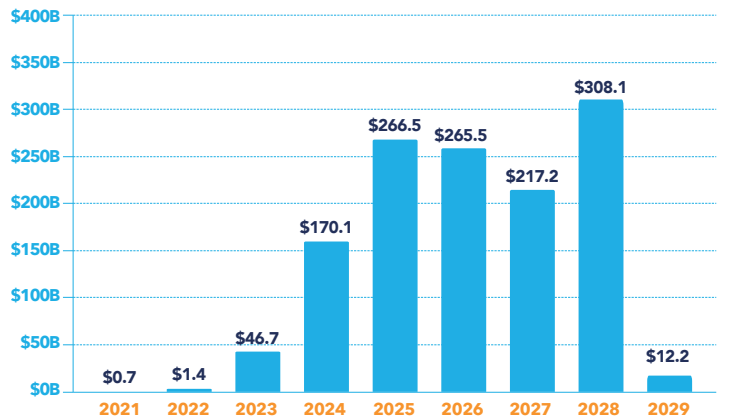
Cumulative Maturity Wall



Source: S&P/LSTA Leveraged Loan Index

S&P/LSTA Leveraged Loan Index consists of all loans that are in the index, namely Term loans (both amortizing and institutional), acquisition loans (after they are drawn down) and bridge loans, and senior secured

Current Loan Maturities by Year

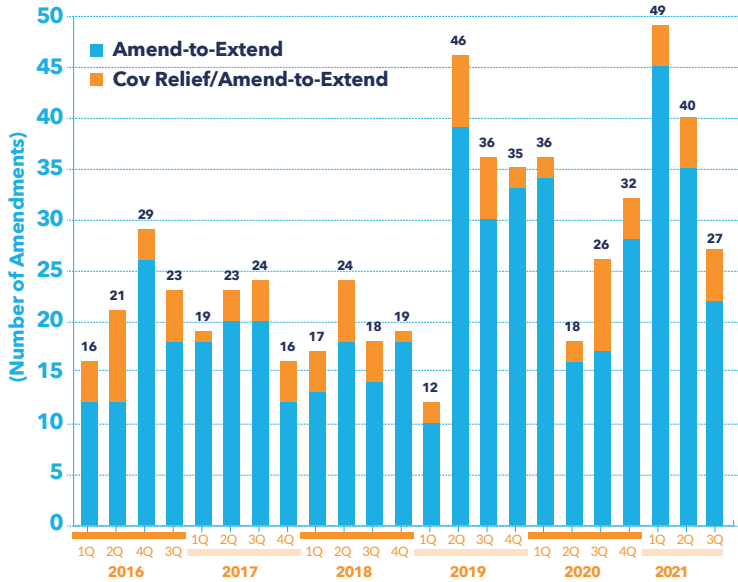


Source: S&P/LSTA Leveraged Loan Index

S&P/LSTA Leveraged Loan Index consists of all loans that are in the index, namely Term loans (both amortizing and institutional), acquisition loans (after they are drawn down) and bridge loans, and senior secured

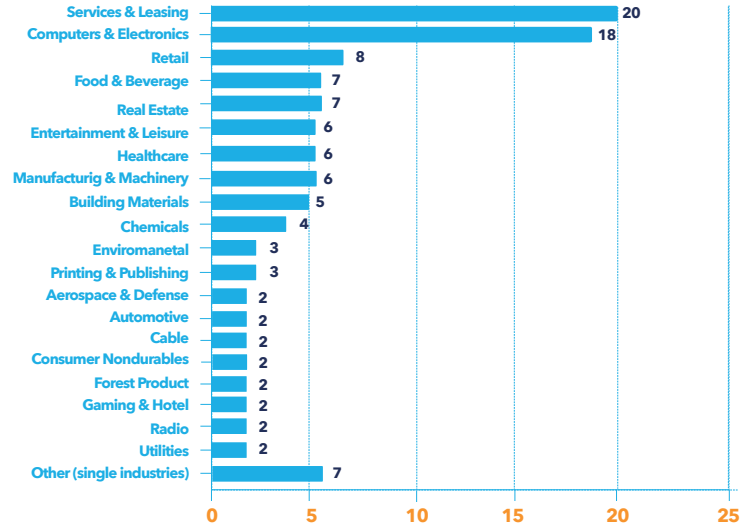
DISTRESSED MARKET INDICATORS

Amend & Extend – Count by Quarter



Source: LCD, an offering of S&P Global Market Intelligence

Amend & Extend by Industry - YTD September 30, 2021



Source: LCD, an offering of S&P Global Market Intelligence

Representative Amend & Extend Deals

NAME	AMEND DEAL DATE	S&P LOAN RATING	MOODY'S LOAN RATING	EXTENSION
Alliance Data Systems Corporation	7/9/21	NR	NR	19 months
Alterra Mountain (Add-on 12/20)	7/21/21	B	B2	24 months
Alterra Mountain (Amend Add-on 12/19)	7/21/21	B	B2	48 months
APi Group	9/29/21	BB-	Ba1	24 months
Avis Budget Car Rental LLC	7/15/21	BB-	B2	36 months
Bed Bath & Beyond Inc.	8/9/21	NR	NR	38 months
BlueLinx Corp	8/2/21	NR	NR	46 months
Chewy	8/27/21	NR	NR	26 months
CMC Materials Inc	7/2/21	NR	NR	32 months
Curia Inc (Add-on 11/20)	7/19/21	B	B2	24 months
Curia Inc (TL 8/17)	7/19/21	B	B2	24 months
EnerSys	7/15/21	NR	NR	48 months
Gulf Finance LLC	9/29/21	B	Caa3	36 months
Intrawest	7/21/21	B	B2	24 months
JELD-WEN Inc	7/12/21	BB+	Ba2	48 months

DISTRESSED MARKET INDICATORS

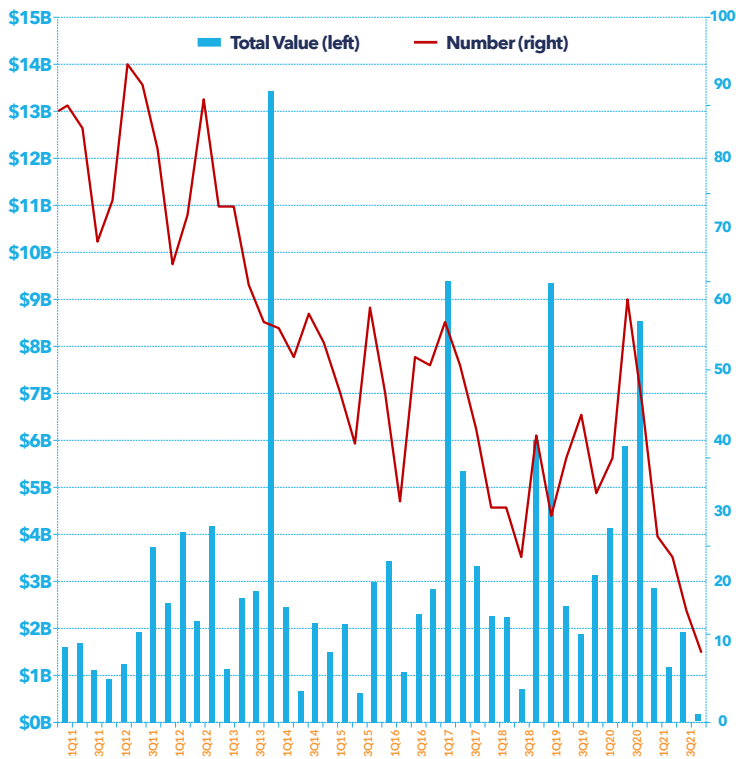
Amend & Extend Deals (cont'd)

NAME	AMEND DEAL DATE	S&P LOAN RATING	MOODY'S LOAN RATING	EXTENSION
Lamb Weston Holdings	8/11/21	NR	NR	35 months
Netflix	7/17/21	NR	NR	27 months
Performance Food Group Co	9/17/21	NR	NR	21 months
Pilgrim's Pride Corp	8/9/21	BBB-	Ba2	37 months
Rite Aid Corp	8/23/21	B+	B2	32 months
RLJ Lodging Trust	9/16/21	NR	NR	12 months
SBA Communications Corp	7/7/21	BB+	NR	39 months
Signet Jewelers	7/28/21	NR	NR	22 months
Sirius XM Radio Inc	8/31/21	BBB-	NR	38 months
Switch Inc	7/14/21	BBB-	Ba1	48 months
Veritext Corp	7/22/21	B	B2	24 months
VSE Corp	7/23/21	NR	NR	18 months

Source: LCD, an offering of S&P Global Market Intelligence

DISTRESSED MARKET INDICATORS

DIP Financings



Note: 2Q14 and 2Q17 surges due to Energy Future Holdings' DIP issuance
Sources: LCD, an offering of S&P Global Market Intelligence, The Deal, and PACER

DIP Financings - Summary Comparison

	MARGIN OVER LIBOR	TERM/ LENGTH OF AGREEMENT (MONTHS)	UPFRONT FEE
3Q 2021			
Mean (\$100MM+)	500	5	2.00%
Median (\$100MM+)	500	5	2.00%
Mean (\$30-\$100MM)	945	5	3.50%
Median (\$30-\$100MM)	945	5	3.50%
3Q 2020			
Mean (\$100MM+)	628	6	1.69%
Median (\$100MM+)	575	6	2.00%
Mean (\$30-\$100MM)	1,000	6	2.33%
Median (\$30-\$100MM)	1,000	6	2.00%

Notes: Some of the reported interest may be PIK interest as reported
Implied margin over 3-month LIBOR as a result of fixed rate pricing
Sources: LCD, an offering of S&P Global Market Intelligence, The Deal, Debtwire, and PACER

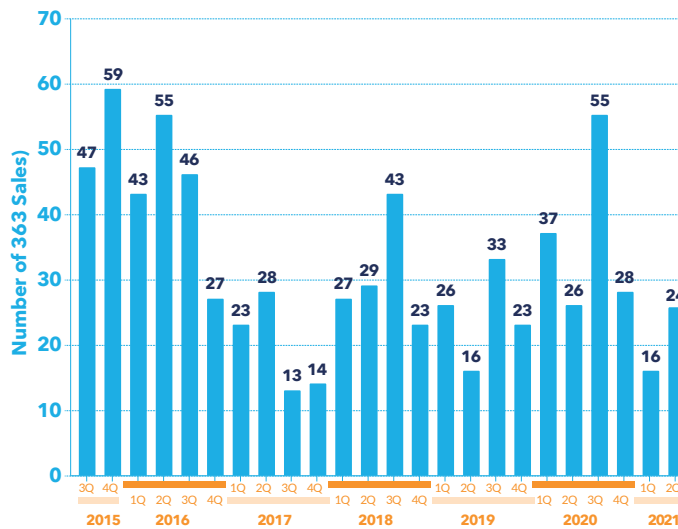
Select DIP Financings (\$30+ million)

DEBTOR	INDUSTRY	DIP DATE	AMOUNT (\$ MILLIONS)	MARGIN OVER LIBOR	TERM/ LENGTH OF AGREEMENT (MONTHS)	UPFRONT FEE
Alpha Latam Management LLC	Financial Services	8/2/21	\$45.0	990	6	2.0%
Basic Energy Services Inc.	Energy	8/17/21	\$35.0	900	4	5.0%
Sequential Brands Group Inc.	Retail	8/31/21	\$150.0	500	5	2.0%

Sources: LCD, an offering of S&P Global Market Intelligence, The Deal, Debtwire, and PACER

DISTRESSED MARKET INDICATORS

Section 363 Sales



Source: The Deal

Section 363 Sales (Detailed)

DATE ANNOUNCED	TARGET	BUYER	INDUSTRY	DEAL VALUE \$ IN MILLIONS
8/11/21	AeroCentury Corp.	Individual investors	Automotive - Aerospace; Financial Services	\$11.0
9/1/21	Aiwa Corp.	Aiwa Acquisitions LLC	Manufacturing	\$6.0
8/16/21	Aluminum Shapes LLC	Reich Brothers LLC	Metals	na
8/17/21	Basic Energy Services Inc. - assets in California	Berry Corp.	Energy	\$43.0
8/17/21	Basic Energy Services Inc. - water logistics segment assets outside of California	Select Energy Services Inc.	Energy	na
9/16/21	Basic Energy Services Inc. - well servicing and completion & remedial segment assets outside of California	Ranger Energy Acquisition LLC	Energy	\$36.7
8/4/21	BJ Services LLC - Rocky Mountain and Bakken region assets	Nations Capital Inc.	Services - Business Services; Energy	na
7/26/21	Bouchard Transportation Co. Inc.	JMB Capital Lending Partners LLC	Transportation	\$115.3
9/24/21	Electronic Data Magnetics Inc.	Paragon ID SA	Manufacturing	na
8/20/21	Finacity Corp.	White Oak Global Advisors LLC	Financial Services	\$7.0
8/3/21	Fresh Acquisitions LLC	VitaNova Brands LLC	Food; Retail - Restaurants	na
9/20/21	GBG USA Inc. - Aquatalia brand and business	Saadia Group LLC	Consumer and household products	na
8/3/21	Katerra Inc. - plant in Spokane, Washington	Blue Varsity LLC	Construction	\$50.0
8/3/21	Katerra Inc. - plant in Tracy, California	Volumetric Building Cos. LLC	Construction	\$21.3

DISTRESSED MARKET INDICATORS

Section 363 Sales (Detailed cont'd)

DATE ANNOUNCED	TARGET	BUYER	INDUSTRY	DEAL VALUE \$ IN MILLIONS
9/1/21	Liberty Power Holdings LLC	NRG Retail LLC	Energy - Utilities	\$36.4
8/31/21	Prospect-Woodward Home	Covenant Living Communities and Services	Healthcare	\$33.0
8/31/21	Sequential Brands Group Inc. - active division brands	Galaxy Universal LLC	Retail - Clothing	\$333.0
8/9/21	SVXR Inc.	Bruker Nano Inc.	Technology - Computer hardware and computer software	\$11.9
7/23/21	Wardman Hotel Owner LLC	Carmel Partners Realty VII LLC	Leisure - Lodging	\$152.3

Source: The Deal

DISTRESSED MARKET INDICATORS

Select Bankruptcies

DEBTOR NAME	PETITION DATE	LIABILITIES	ASSETS	INDUSTRY	JURISDICTION
Bridgeport Health Care Realty Co.	08/20/2021	\$10,000,001 to \$50 million	\$1,000,001 to \$10 million	Lessors of Real Estate	Connecticut
MatlinPatterson Global Opportunities Partners II L	07/06/2021	\$10,000,001 to \$50 million	\$100,000,001 to \$500 million	Other Investment Pools and Funds	New York Southern
Moon Nurseries, Inc.	08/12/2021	\$10,000,001 to \$50 million	\$10,000,001 to \$50 million	Lawn and Garden Equipment and Supplies Stores	Delaware
Northwest Bancorporation of Illinois, Inc.	07/02/2021	\$10,000,001 to \$50 million	\$10,000,001 to \$50 million	Management of Companies and Enterprises	Illinois Northern
PSG Mortgage Lending Corp.	08/25/2021	\$10,000,001 to \$50 million	\$10,000,001 to \$50 million	Mortgage Lending	California Northern
RHCSC Social Circle Health Holdings LLC	08/26/2021	\$10,000,001 to \$50 million	\$10,000,001 to \$50 million	CCRCs and Assisted Living Facilities for the Elderly	Georgia Northern
Something Sweet, Inc.	07/02/2021	\$10,000,001 to \$50 million	\$10,000,001 to \$50 million	Grocery and Related Product Merchant Wholesalers	Delaware
ABC Home Furnishings, Inc.	09/08/2021	\$50,000,001 to \$100 million	\$10,000,001 to \$50 million	Home Furnishings Stores	New York Southern
Kansas City United Methodist Retirement Home, Inc.	08/18/2021	\$50,000,001 to \$100 million	\$10,000,001 to \$50 million	CCRCs and Assisted Living Facilities for the Elderly	Missouri Western
Path Medical, LLC and Path Medical Center Holdings, Inc.	08/28/2021	\$50,000,001 to \$100 million	\$10,000,001 to \$50 million	Other Ambulatory Health Care Services	Florida Southern
The Norwich Roman Catholic Diocesan Corporation	07/15/2021	\$50,000,001 to \$100 million	\$10,000,001 to \$50 million	Religious Organizations	Connecticut
The Prospect-Woodward Home	08/30/2021	\$50,000,001 to \$100 million	\$10,000,001 to \$50 million	CCRCs and Assisted Living Facilities for the Elderly	New Hampshire
American Sporting Goods Corp.	08/31/2021	\$100,000,001 to \$500 million	\$100,000,001 to \$500 million	Lessors of Nonfinancial Intangible Assets	Delaware
Pipeline Foods, LLC	07/08/2021	\$100,000,001 to \$500 million	\$100,000,001 to \$500 million	Farm Product Raw Material Merchant Wholesalers	Delaware
Premier Manufacturing, Inc.	07/07/2021	\$100,000,001 to \$500 million	\$100,000,001 to \$500 million	Miscellaneous Nondurable Goods Merchant Wholesalers	North Carolina Eastern
Tellus Energy, LLC	09/17/2021	\$100,000,001 to \$500 million	\$100,000,001 to \$500 million	Oil and Gas Extraction	Mississippi Southern
U.S. Tobacco Cooperative Inc.	07/07/2021	\$100,000,001 to \$500 million	\$100,000,001 to \$500 million	Miscellaneous Nondurable Goods Merchant Wholesalers	North Carolina Eastern
Basic Energy Services, Inc.	08/17/2021	\$500,000,001 to \$1 billion	\$100,000,001 to \$500 million	Support Activities for Mining	Texas Southern
Frye Retail, LLC	07/29/2021	\$1,000,000,001 to \$10 billion	\$1,000,000,001 to \$10 billion	Apparel, Piece Goods, and Notions Merchant Wholesalers	New York Southern
RWB International Family Property Company, LLC	08/02/2021	\$1,000,000,001 to \$10 billion	\$1,000,000,001 to \$10 billion	Activities Related to Real Estate	Texas Northern

Source: Federal Judiciary

NOTES

SOURCES

S&P, Moody's, The Deal, and others as indicated.

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

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