

CAPITAL RESTRUCTURING PERSPECTIVES



Quarterly Update
First Quarter 2024

CONTENTS

Distressed Market Indicators.....	2
Bankruptcy Trends	3
Capital Market Perspectives.....	4
Leveraged Loan Trends	5
Select DIP Financings and 363 Sales	6
SOLIC Representative Engagement	6
Notes	7



Raoul Nowitz
Senior Managing Director
rnowitz@soliccapi.com



Neil F. Luria
Head of Restructuring
Senior Managing Director
nluria@soliccapi.com



Edward R. Casas
Chairman & CEO
Senior Managing Partner
ecapas@soliccapi.com

Presented by SOLIC Capital Advisors

Realizing Value. Delivering Results.

RESTRUCTURING • INVESTMENT BANKING • DISTRESSED ASSET SUPPORT SERVICES

DISTRESSED MARKET INDICATORS

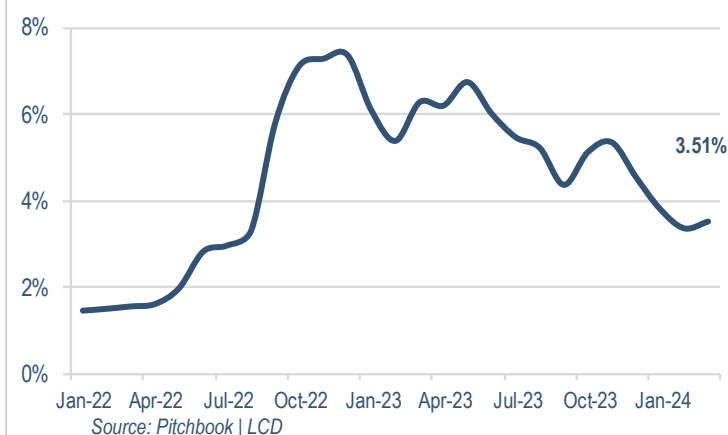
KEY HIGHLIGHTS

- While the leveraged loan default rate fell to a 13-month low of 1.14% in March 2024, S&P anticipates credit deterioration during the remainder of the year, particularly in lower-rated credits and sectors exposed to declining consumer spending
- By issuer count, the payment default rate, at 1.9% in March 2024, remains above its 10-year average of 1.6%
- The distressed cohort of performing index loans, defined as loans trading below 80% of par, edged up in March 2024 to 3.5%, from 3.3% in February
- The ratio of downgrades to upgrades inched up every month year to date in 2024 and stands at 1.9x in March 2024
- As liquidity conditions remain tight in a higher-rate environment, there is likely to be a pickup in turnaround and restructuring activity, with healthcare, real estate, higher education, and consumer-centric industries expected to show relatively higher stress

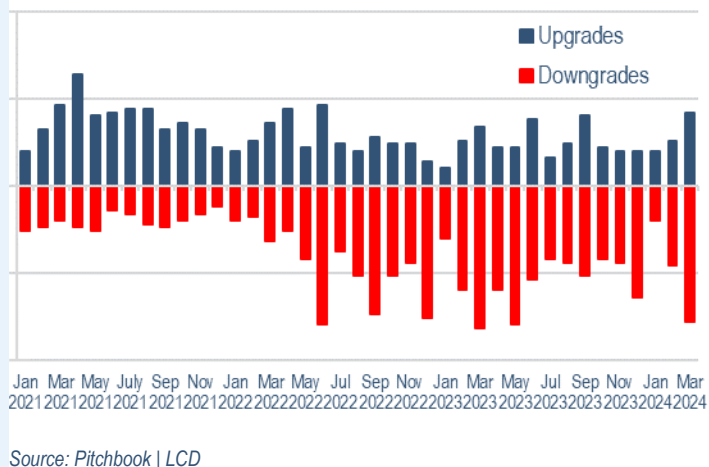
S&P Default Rate



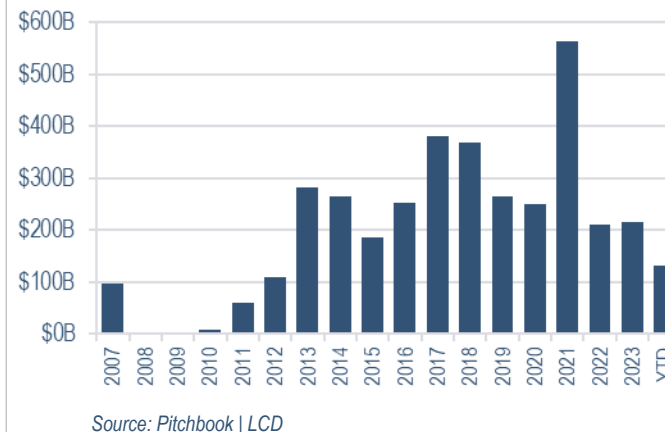
Distress Ratio^[1]



Upgrades and Downgrades ^[2]



Covenant-Lite Loan Issuance



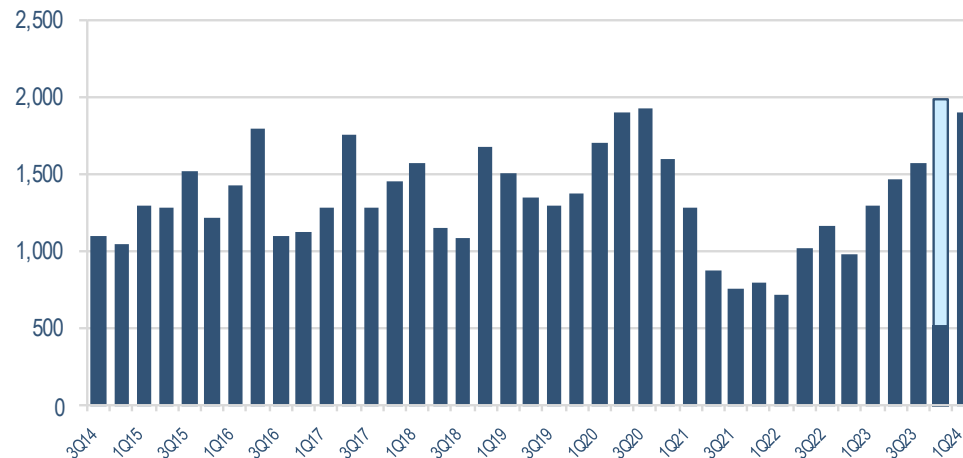
[1] Distress ratio by amount outstanding (percent of loans priced below 80)
 [2] Count of ratings action in S&P/LSTA Leveraged Loan Index

BANKRUPTCY TRENDS

COMMENTARY

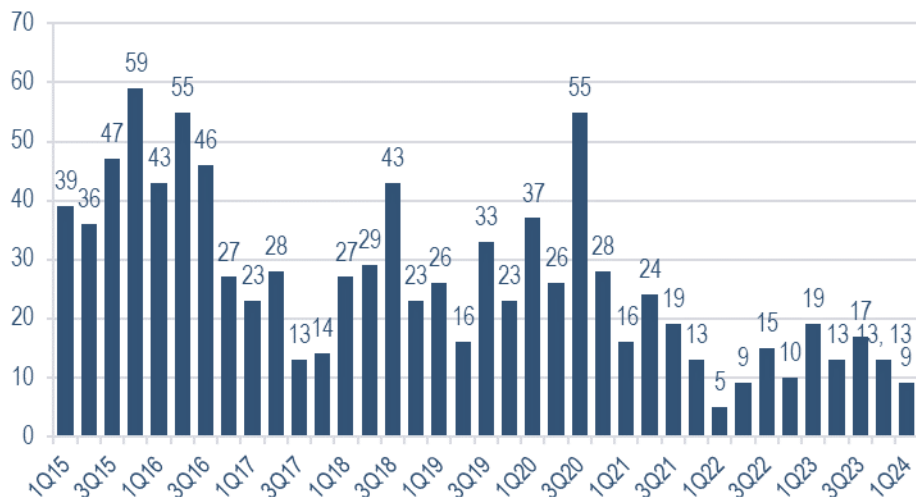
- Bankruptcy filings are anticipated to continue to increase in 2024 as a result of increased cost of funds, a reduction in consumer discretionary spending, higher housing costs, and a continued drawdown of excess savings
- The consumer discretionary, healthcare, and industrial sectors recorded the most bankruptcies in Q1 2024
- Among the large notable bankruptcies filed in Q1 2024 were crafts retailer JOANN Inc., Wood pellet producer Enviva Inc., primary care business Cano Health, Inc., and consumer lender CURO Group Holdings, Corp.

Chapter 11 Filings



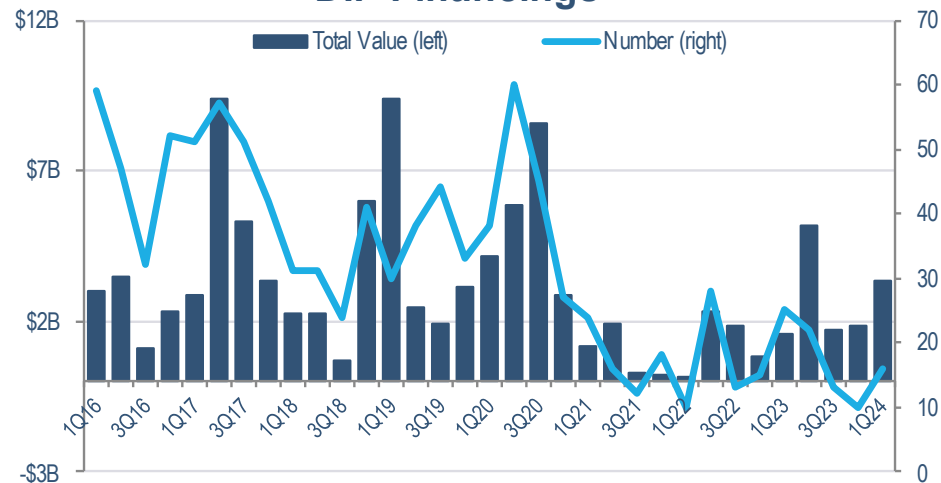
*WeWork represents 516 filings during 4Q23
Source: American Bankruptcy Institute / Epiq

Section 363 Sales



Source: Reorg and SOLIC Research

DIP Financings



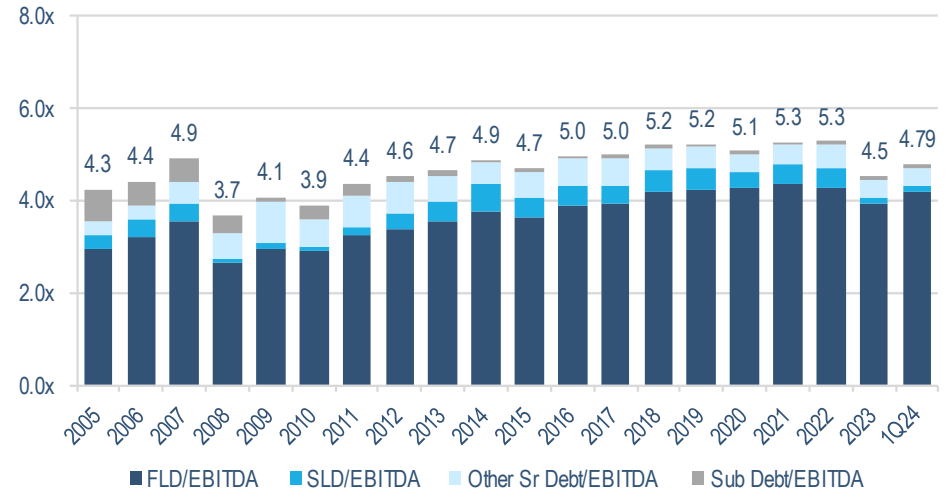
Source: Reorg and SOLIC Research

CAPITAL MARKET PERSPECTIVES

COMMENTARY

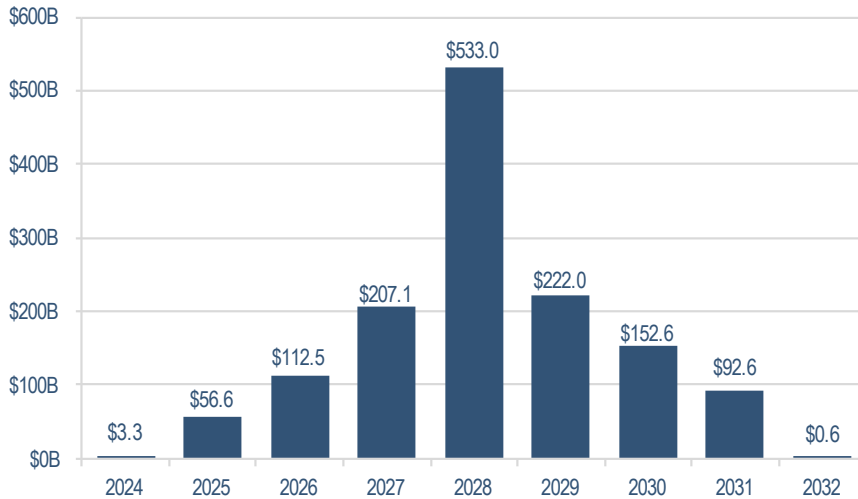
- Extensions totaled \$32.7 billion on outstanding institutional loans during Q1, the highest quarterly tally on record and follows the annual record of \$80.0 billion extended last year
- With a record number of amend-to-extend transactions and refinancing activity at decade-high levels, speculative-grade borrowers made significant progress at reducing the near-term maturity wall in Q1
- Maturities through 2025 fell by 36% in the last three months, to approximately \$60 billion
- As the leveraged loan market reopened to riskier borrowers in Q1, the average leverage ratio rose from multi-year lows recorded in 2023
- The average debt/EBITDA ratio was 4.8x in Q1 2024, up from 4.5x last year but half a turn below the 5.3x record-high in 2021/2022

Average Leverage Multiples

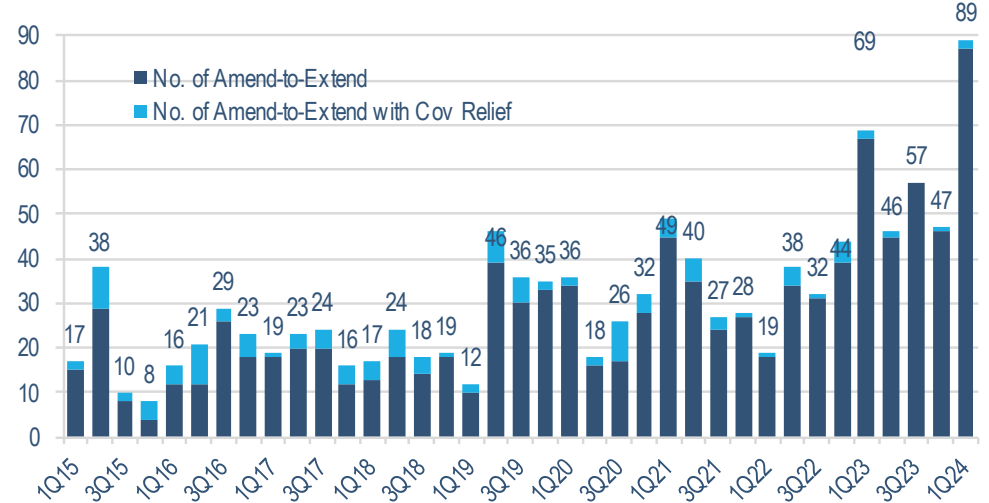


Note: FLD is abbreviation for "first lien debt" and SLD is abbreviation for "second lien debt"
Source: Pitchbook | LCD

Current Loan Maturities by Year



Amend & Extends



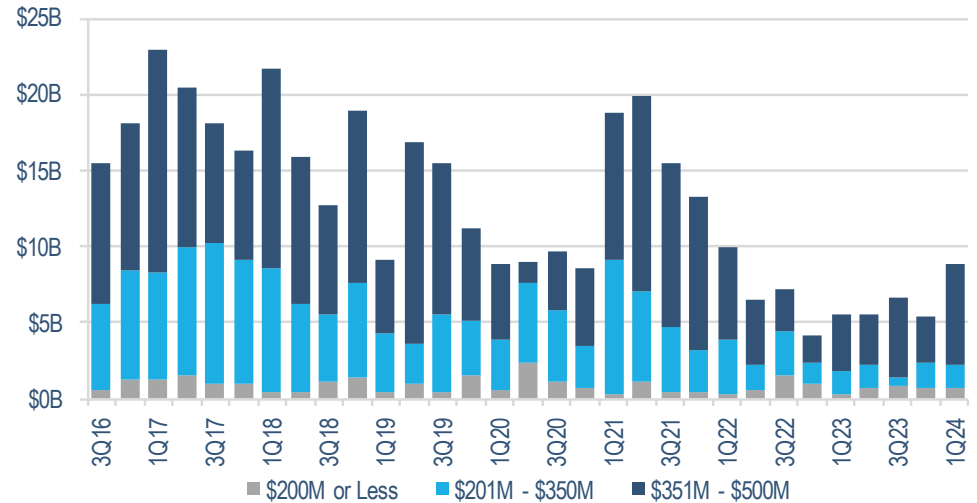
Source: Pitchbook | LCD

LEVERAGED LOAN TRENDS

COMMENTARY

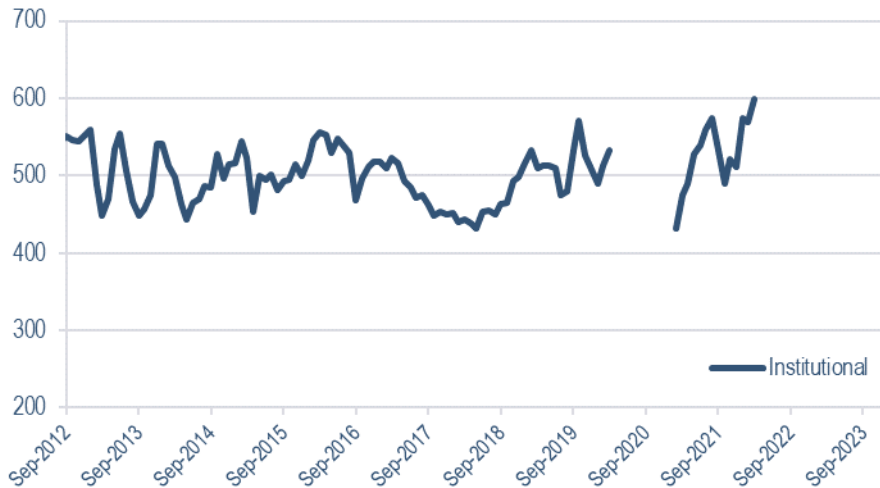
- Tighter spreads drove refinancing and repricing activity as issuers sought to reduce interest expense. Despite this quarter's activity, the total cost of debt remains high, continuing pressure on interest coverage
- Consistent with the last six quarters, refinancings accounted for more than half of total volume in Q1 2024
- A drop in borrowing spreads coupled with increased investor appetite for risk, created an opportunity in the middle-market across the full credit quality spectrum raising an increased level of leveraged loans to refinance existing debt in Q1 2024
- B- rated issuer refinancing volumes in Q1 totaled more than all B-rated refinancings closed for all of 2023

Middle Market Loan Issuance



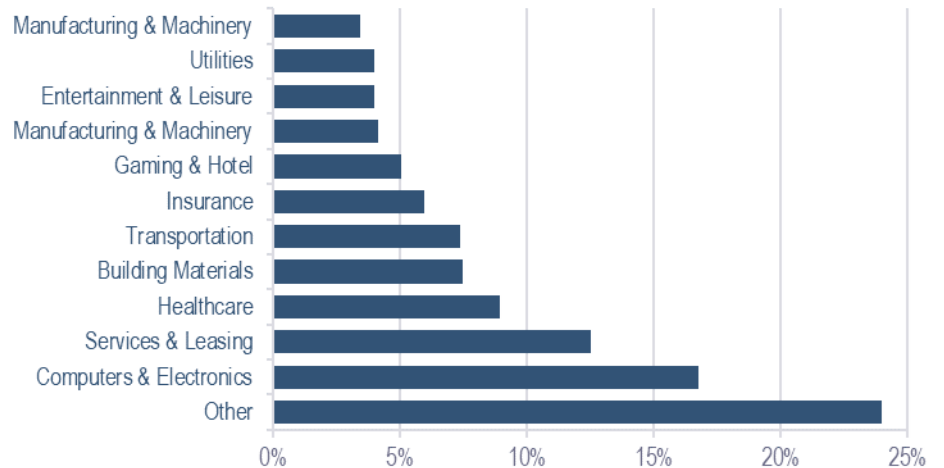
Source: Pitchbook | LCD

Spreads for Middle Market Issuers



Source: Pitchbook | LCD
Data not reported during Covid (Apr 2020 – Jan 2021)

Loan Issuance by Sector



Source: Pitchbook | LCD

SELECT DIP FINANCINGS AND 363 SALES

DIP Date	Debtor	Industry	Amount (\$ in millions)	Applicable Margin	Maturity	Reference Rate
3/31/2024	Airspan Networks Holdings Inc.	Information Technology	\$45	10.0%	6 months	SOFR
3/25/2024	CURO Group Holdings Corp.	Financials	\$45	10% PIK	6 months	SOFR
3/18/2024	JOANN Inc.	Consumer Discretionary	\$500	9.5%	2 months	SOFR
3/12/2024	Enviva Inc.	Energy	\$16	7.0%	9 months	SOFR
2/28/2024	Thrasio	Consumer Discretionary	\$7	10% PIK	4 months	SOFR
2/21/2024	Hornblower Holdings LLC (Senior DIP Facility)	Consumer Discretionary	\$56	6.5% PIK	9 months	SOFR
2/15/2024	Robertshaw US Holding Corp.	Information Technology	\$10	9.5% PIK	6 months	SOFR
2/12/2024	Sientra, Inc.	Health Care	\$54	7.0%	5 months	SOFR
2/9/2024	Burgess BioPower, LLC	Utilities	\$142	12.0%	6 months	Fixed
2/4/2024	NanoString Technologies, Inc.	Health Care	\$150	4% PIK	6 months	SOFR
2/4/2024	Cano Health, Inc.	Health Care	\$93	11.0%	8 months	SOFR
2/1/2024	Byju's ^[1]	Information Technology	\$93	N/A	24 months	SOFR
1/29/2024	Restoration Forest Products Group, LLC	Materials	\$125	11% PIK	4 months	Fixed
1/25/2024	GOL Linhas Areas Inteligentes S.A.	Industrials	\$125	10.5%	12 months	SOFR
1/22/2024	Careismatic Brands, LLC	Consumer Discretionary	\$0	5.0%	9 months	SOFR

Select Section 363 Sales

Date	Target	Buyer	Industry	Deal Value (\$ in millions)
1/5/2024	Athersys Inc.	HEALIOUS K.K.	Health Care	\$2.3
1/7/2024	Audacy Inc.	83 Leo Property Owner LLC and ATS-Needham LLC	Communication Services	\$21.6
3/4/2024	BowFlex Inc.	Johnson Health Tech Retail Inc.	Consumer Discretionary	\$37.5
2/21/2024	Hornblower Holderings LLC	American Cruise Lines Inc.	Consumer Discretionary	\$6.0
1/3/2024	Humanigen Inc.	Taran Therapeutics Inc.	Health Care	\$2.0
2/4/2024	NanoString Technologies Inc.	N/A	Health Care	\$220.0
2/15/2024	Robertshaw US Holding Corp. Debtor	N/A	Industrials	\$217.0
2/8/2024	Senior Choice Inc.	N/A	Health Care	\$5.0
2/19/2024	Sientra Inc.	Tiger Aesthetics Medical LLC	Health Care	\$50.5

[1] Terms of Byju's DIP financing are contained in an undisclosed term sheet

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.



SOLIC Capital Advisors publishes a series of reports analyzing relevant trends and news for selected industries. To view all of our quarterly industry reports or to make changes to your subscription(s), please go to soliccapi.com/SOLICconnect Thank you for your interest.

LEADERSHIP TEAM

Edward R. Casas
Chairman & CEO
Senior Managing Partner

Neil F. Luria
Head of Restructuring
Senior Managing Director

Gregory F. Hagood
Head of Investment Banking
Senior Managing Director

Robert E. Annas
Senior Managing Director

Raoul Nowitz
Senior Managing Director

Matthew E. Rubin
Senior Managing Director

Reid Snellenbarger
Senior Managing Director

Sam Barhoumeh
Managing Director

Matthew M. Caine
Managing Director

Randy Chalker
Managing Director

Mary Missbach Dressler
Managing Director

Meg Finnegan
Managing Director

Greg Kilfoy
Managing Director

George N. Koutsonicolis
Managing Director



SOLIC Capital Advisors ("SOLIC") is a leading financial advisory firm providing restructuring, investment banking and distressed asset support services to companies, lenders, institutional investors, the legal community and other creditor constituencies. SOLIC provides creative solutions to complex challenges by combining market knowledge with deep industry expertise to realize value and deliver results for our clients. SOLIC's multi-disciplinary team has successfully led more than 600 mandates, involving over \$150 billion in capitalization, across a wide array of industry sectors, creating significant stakeholder value.

Our firm offers a comprehensive suite of services to assist our clients including: SOLIC Capital Advisors (financial advisory), SOLIC Capital, LLC (FINRA Registered Broker/Dealer), SOLIC Capital Management (asset management services and Registered Investment Advisor - RIA), and SOLIC Capital Partners (principal investing).

RESTRUCTURING • INVESTMENT BANKING • DISTRESSED ASSET SUPPORT SERVICES

soliccapi.com | 847.583.1618

OFFICE LOCATIONS **Atlanta** | **Chicago** | **Orlando**

SOLIC gathers its data from sources it considers reliable. However, it does not guarantee the accuracy or completeness of the information provided within this publication. Any opinions presented reflect the current judgment of the authors and are subject to change. SOLIC makes no warranties, expressed or implied, regarding the accuracy of this information or any opinions expressed by the authors. (Officers, directors and employees of SOLIC and its subsidiaries may have positions in the securities of the companies discussed.) This publication does not constitute a recommendation with respect to the securities of any company discussed herein, and it should not be construed as such. SOLIC or its affiliates may from time to time provide investment banking or related services to these companies. Like all SOLIC employees, the authors of this publication receive compensation that is affected by overall firm profitability.

©2024 SOLIC Capital Advisors, LLC. All rights reserved.

Investment banking, private placement, merger, acquisition and divestiture services offered through SOLIC Capital, LLC. Member FINRA/SIPC. SOLIC Capital Management, LLC is a Registered Investment Adviser in the State of Illinois. SOLIC is not a certified public accounting firm and does not provide audit, attest, or public accounting services.

