

CAPITAL RESTRUCTURING PERSPECTIVES



Quarterly Update
Second Quarter 2024

CONTENTS

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



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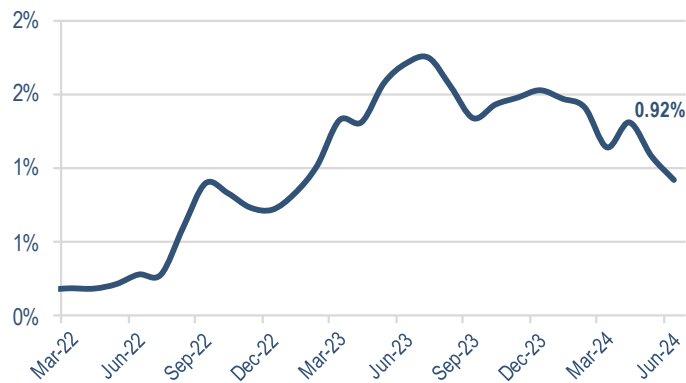
RESTRUCTURING • INVESTMENT BANKING • DISTRESSED ASSET SUPPORT SERVICES

DISTRESSED MARKET INDICATORS

KEY HIGHLIGHTS

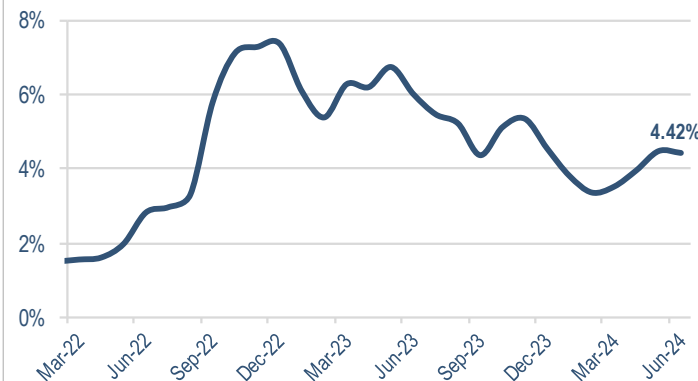
- While the leveraged loan default rate trended lower in June 2024, the count of issuers avoiding bankruptcies via out-of-court liability management transactions in this continued elevated interest rate environment continued to grow
- The trailing 12-month count of index issuers conducting out of court distressed transactions has continued to rise as companies look to ride out higher interest burdens, seeking to avoid equity implications and the expense of bankruptcy proceedings
- The distressed cohort of performing index loans, defined as loans trading below 80% of par, edged up in June to 4.42%, up from the 2024 low of 3.3% in February
- The ratio of downgrades to upgrades on a rolling three-month basis was 2.1x in June 2024, above the 1.6x 2024 low in March, reflecting increased net downgrade activity
- Private lenders, a mainstay for rescue financings, are finding it increasingly challenging to rescue distressed companies in the current high interest rate environment and with tightening underwriting standards

S&P Default Ratio



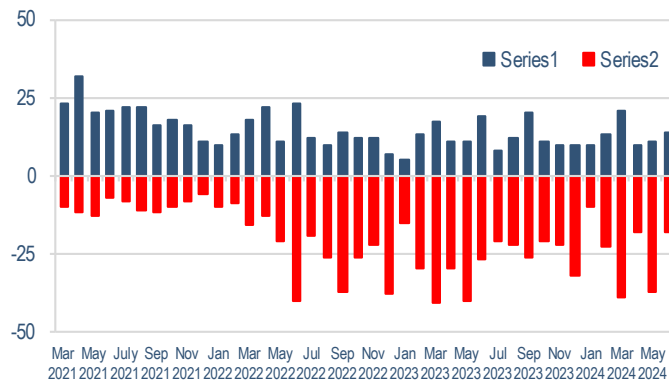
Source: Pitchbook | LCD

Distress Ratio^[1]



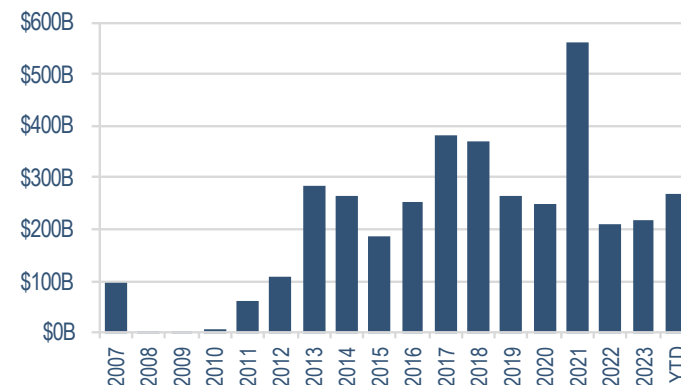
Source: Pitchbook | LCD

Upgrades and Downgrades^[2]



Source: Pitchbook | LCD

Covenant-Lite Loan Issuance



Source: Pitchbook | LCD

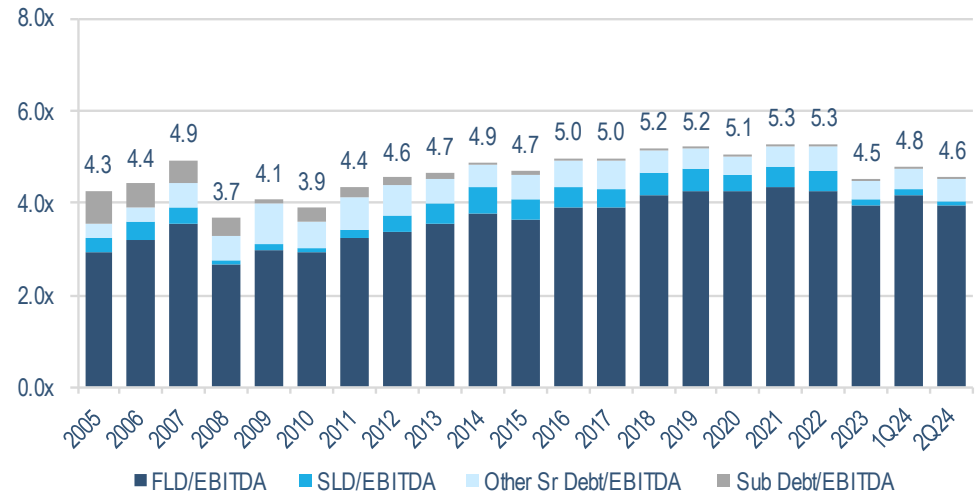
[1] Distress ratio by amount outstanding (percent of loans priced below 80)
 [2] Count of ratings action in S&P/LSTA Leveraged Loan Index

CAPITAL MARKET PERSPECTIVES

COMMENTARY

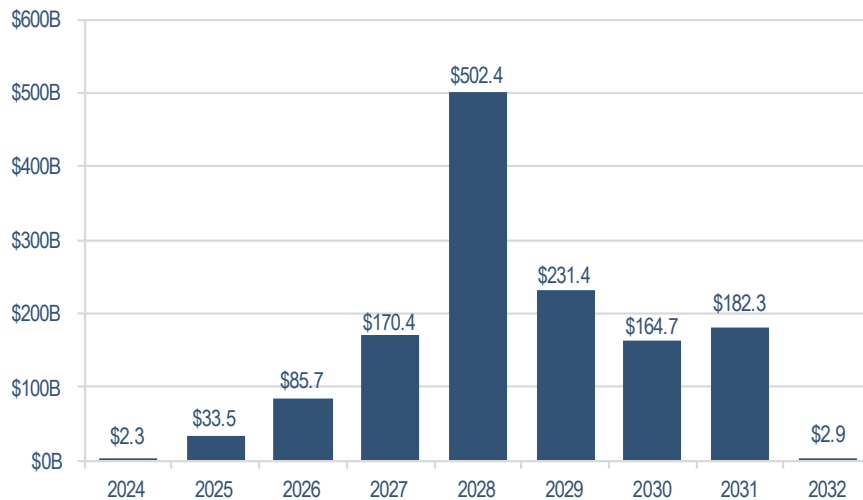
- Lenders approved a record volume of loan repricing amendments in Q2 2024
- 2024's continued uptick in refinancing, combined with amendment extensions, has had a significant impact on the near-term maturity wall - maturities through 2025 fell by approximately 60% from year-end 2023 to \$36 billion of maturities for 2024
- 51% of Q2's total refinancing-related loan volume consisted of B-minus rated companies, the highest share since 2008, up from 35% in Q1 2024 and a 22% average in 2023, reflecting increased risk appetite from investors
- As speculative-grade companies have successfully raised funding in the loan market, the average debt/EBITDA ratio was 4.6x in Q2, up from 4.5x last year but below the 5.3x record-high in 2022
- For 1H 2024, leveraged loans had an average EBITDA/interest ratio of 3.1x at issuance, the lowest reading since 2007, down from 4.1x in 2021 and reflective of declining cushion

Average Leverage Multiples



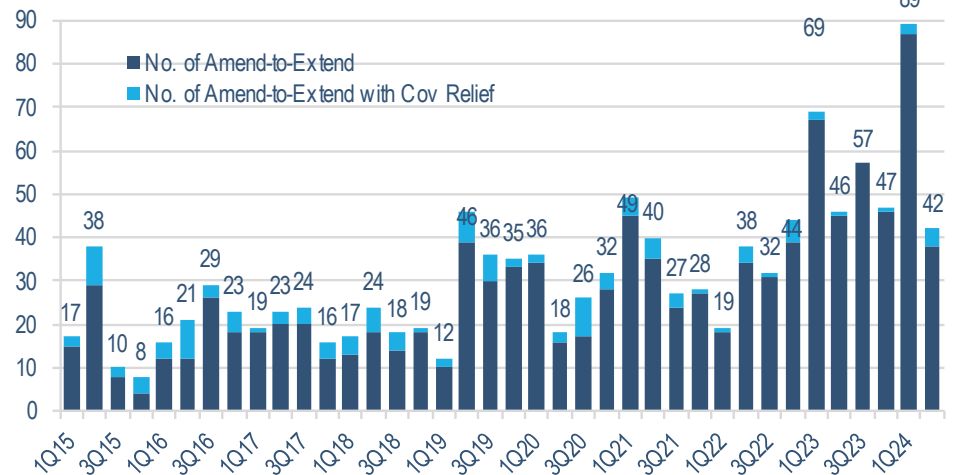
Note: FLD is abbreviation for "first lien debt" and SLD is abbreviation for "second lien debt"
Source: Pitchbook | LCD

Current Loan Maturities by Year



Source: Pitchbook | LCD

Amend & Extends



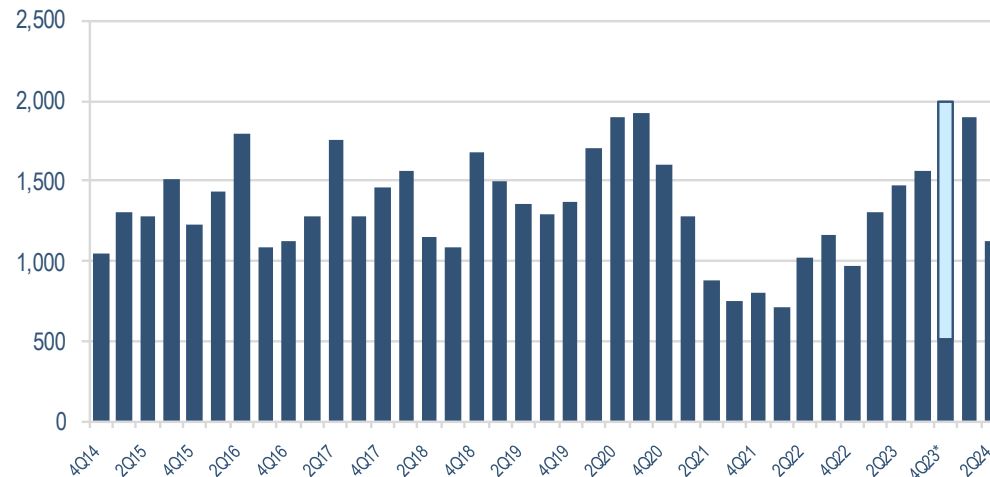
Source: Pitchbook | LCD

BANKRUPTCY TRENDS

COMMENTARY

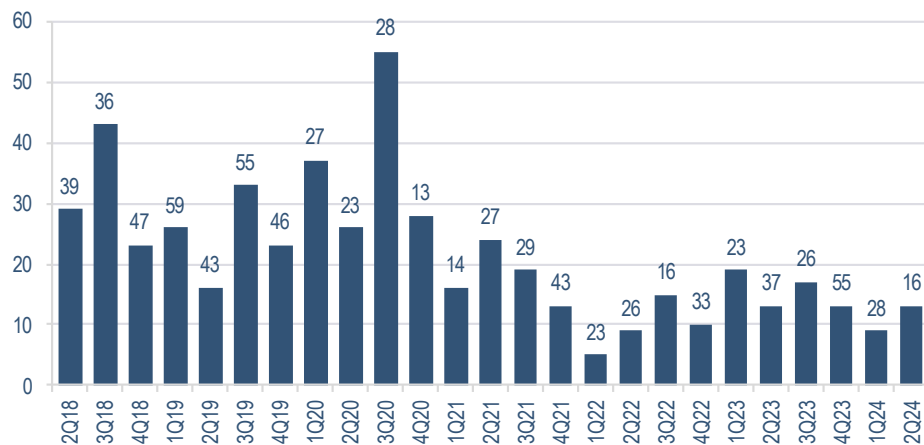
- Bankruptcies are anticipated to increase in 2024 as a result of increased cost of funds, a reduction in consumer discretionary spending, supply chain challenges, higher housing costs, and a continued drawdown of excess savings
- Consumer discretionary, healthcare, and industrial sectors recorded the most bankruptcies in Q2 2024
- Notable bankruptcies filed in the quarter include Chicken Soup for the Soul Entertainment, Crackle, Red Lobster, Delta Apparel, Express, 99 Cents Only, and LaVie Care Centers

Chapter 11 Filings



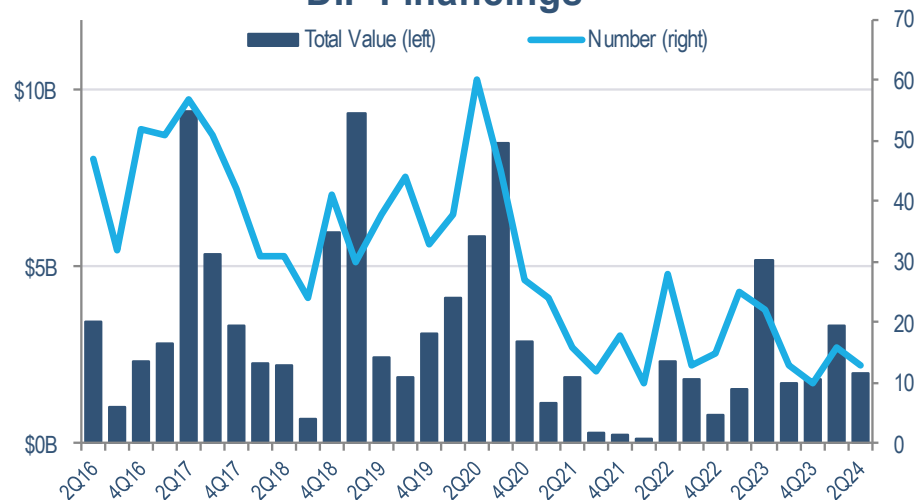
*WeWork represents 516 filings during 4Q23
Source: American Bankruptcy Institute / Epiq

Section 363 Sales



Source: Reorg and SOLIC Research

DIP Financings



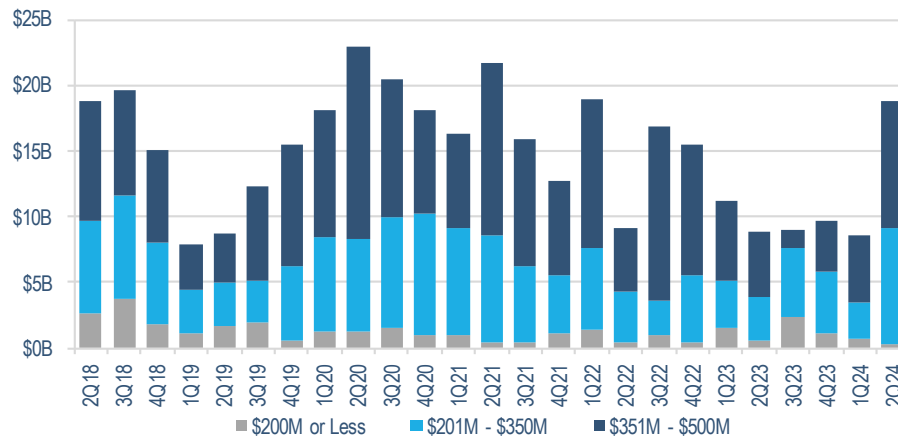
Source: Reorg and SOLIC Research

LEVERAGED LOAN TRENDS

COMMENTARY

- The lack of net supply for the leveraged loan asset class against surging demand from CLOs and other loan investors is driving record volumes of repricing activity and increased risk appetite
- Total repricing amendments for the first half of 2024 reached an all-time high and accounted for 51% of total institutional loan activity
- B- rated issuer refinancing volumes in Q2 accounted for 32% of all repricings and more than all B-rated refinancings closed for all of 2023, reflective the continued strength in the lower rated end of the market

Middle Market Loan Issuance



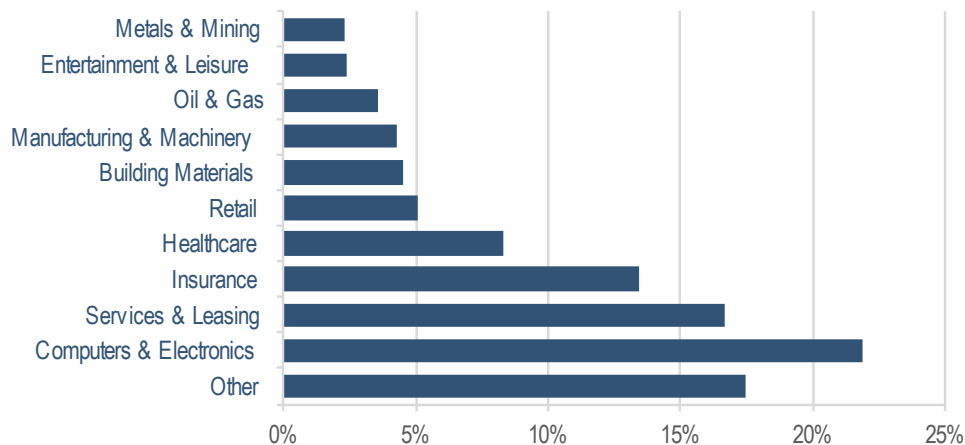
Source: Pitchbook | LCD

Weighted Average Bid of US Leveraged Loans



Source: Pitchbook | LCD

Loan Issuance by Sector



Source: Pitchbook | LCD

SELECT DIP FINANCINGS AND 363 SALES

Select DIP Financings

DIP Date	Debtor	Industry	Amount (\$ in millions)	Applicable Margin	Maturity	Reference Rate
6/11/2024	Coach USA, Inc.	Industrials	\$200	4.0%	6 months	Base Rate
6/9/2024	Vyair Medical, Inc.	Healthcare	\$180	6% PIK	4 months	SOFR
5/21/2024	Supply Source Enterprises, Inc.	Consumer Discretionary	\$60	5% PIK	6 months	Fixed
5/19/2024	Red Lobster Management LLC	Consumer Discretionary	\$275	10.5% PIK	4 months	SOFR
5/6/2024	Steward Health Care System LLC	Healthcare	\$158	15% PIK	7 months	SOFR
5/5/2024	Ambri Inc.	Industrials	\$37	15% PIK	3 months	Fixed
4/22/2024	Express, Inc. (ABL)	Consumer Discretionary	\$136	4.3%	4 months	SOFR
4/22/2024	Express, Inc. (Term Loan)	Consumer Discretionary	\$91	11.5%	4 months	SOFR
4/4/2024	ConvergeOne (ABL)	Information Technology	\$250	3.8%	6 months	SOFR
4/4/2024	ConvergeOne (Term Loan)	Information Technology	\$215	8.0%	6 months	SOFR
4/1/2024	WOM S.A.	Communication Services	\$210	10.0%	15 months	Fixed
4/1/2024	Shoes for Crews	Consumer Discretionary	\$121	8.0%	5 months	SOFR
4/1/2024	Acorda Therapeutics, Inc.	Healthcare	\$60	10.5% PIK	6 months	Fixed

Select Section 363 Sales

Date	Target	Buyer	Industry	Deal Value (\$ in millions) (\$ in millions)
04/07/2024	99 Cents Only Stores	Ollie's Bargain Outlet Inc. & OBO Ventures Inc.	Consumer Discretionary	\$145
04/01/2024	Acorda Therapeutics Inc.	Merz Pharmaceuticals LLC	Health Care	\$185
05/05/2024	Ambri Inc.	Prepetition Secured Noteholders	Industrials	\$9.50
04/03/2024	Casa Systems Inc.	Vecina Technology Inc.	Information Technology	\$77
06/11/2024	Coach USA Inc.	Bus Company Holdings US LLC	Industrials	\$156
04/01/2024	Eiger BioPharmaceuticals Inc.	Sentynl Therapeutics Inc	Health Care	\$49
04/22/2024	Express Inc.	Phoenix Retail LLC	Consumer Discretionary	\$198
04/04/2024	ICON Aircraft Inc.	SG Investment America Inc.	Industrials	\$13
05/10/2024	KidKraft Inc.		Consumer Discretionary	\$39
05/02/2024	New rue21 Holdco Inc.	YM Inc.	Consumer Discretionary	\$3.90
04/12/2024	Oberweis Dairy Inc.	BAB Project O LLC	Consumer Staples	\$21
04/01/2024	Shoes for Crews	SFC Acquisition Co. LLC	Consumer Discretionary	\$290
05/21/2024	Supply Source Enterprises Inc.	TZ SSE Buyer LLC	Consumer Discretionary	\$63

Source: Reorg and SOLIC Research

SOLIC Representative Engagement



SOLIC Capital Advisors was engaged by View, Inc., a leading manufacturer of AI-powered smart windows, as its Restructuring and Financial Advisor. View had raised over \$2 billion in capital but faced significant challenges due to macroeconomic headwinds impacting the commercial real estate industry.

SOLIC's team conducted a comprehensive evaluation of View's business plan and implemented performance improvement initiatives to drive profitability and improve liquidity. Additionally, SOLIC advised on strategic alternatives, including a sale of the Company as well as select divisions, and a range of recapitalization structures.

SOLIC ran a comprehensive solicitation process for various strategic alternatives resulting in the execution of a Restructuring Support Agreement ("RSA"); which included a \$17.5M Debtor-in-Possession ("DIP") facility, a \$50M Exit Financing Facility, and a conversion of \$250M in debt for equity as part of a Pre-Packaged Chapter 11 Plan of Reorganization ("POR").

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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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).

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