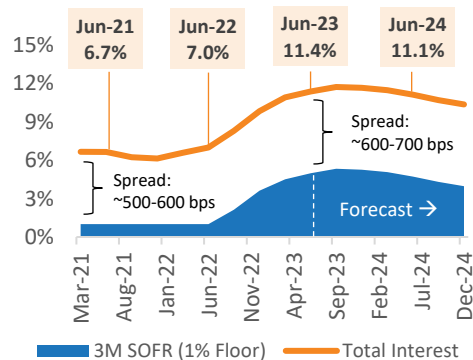


Red, White, and Expensive – higher interest rates and lower leverage continued to keep deal volume down in H1 2023. With SOFR expected to stay above 5% for months to come, fireworks may be muted this July 4th but we’re seeing some sparks on the horizon.

- **Direct lenders are hyper-selective and increasingly conservative**, offering **lower leverage** (down ~20% from peak 2021 levels) and **higher spreads** (100-150 basis points wider vs. 2021) while maintaining **OIDs of at least 2%** (but often as high as 3%)
- **Investors are rebalancing portfolios** toward recession-resistant sectors while continuing to shy away from consumer discretionary deals
- **Diligence processes continue to elongate**, with more third-party work than ever and **closer attention to covenant packages**
- Public market sentiment shows **hopes for a soft landing** for the US economy, with new issuance volumes recently rebounding

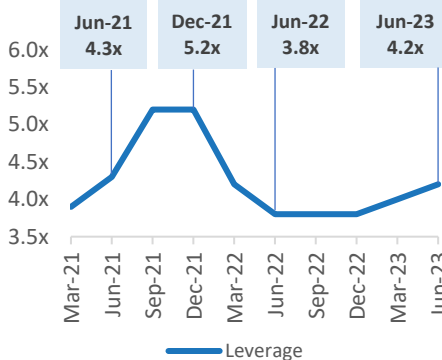
Total Interest: >11%

Companies with EBITDA <\$20M



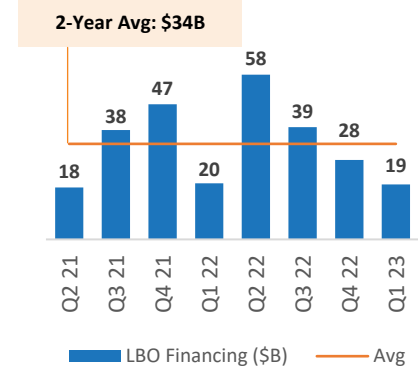
Total Leverage: ~4x

Companies with EBITDA <\$20M



LBO Volumes: Down ~42%

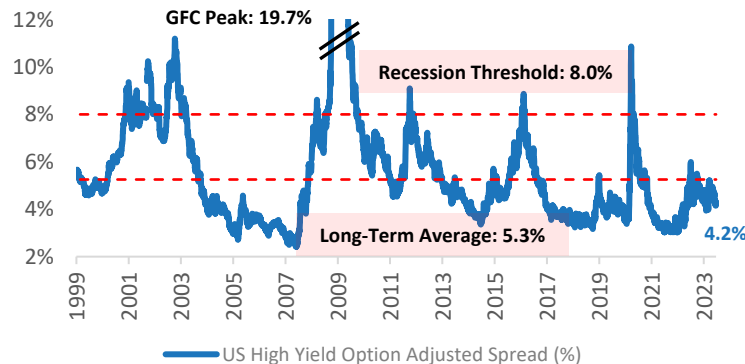
All LBO Activity in the US



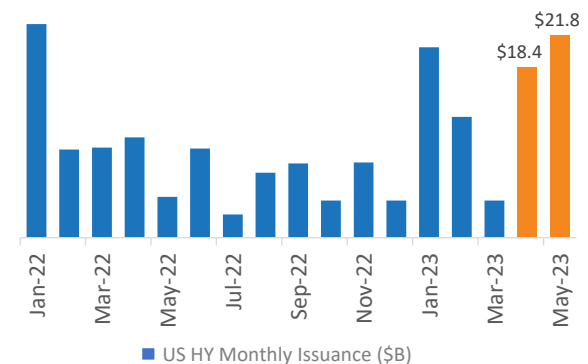
Source: KBRA DLD, Pitchbook

Proprietary Insights from Our Colleagues at MUFG

“High yield credit spreads are trading below their long-term averages and well below recession threshold levels”



“Despite elevated uncertainty from the bank sector, debt ceiling, Fed policy and the economy...high yield issuance rebounded nicely in May, following a lackluster 2022”



MUFG Capital Markets Strategy

Intrepid’s Capital Advisory Group enables founders, management teams, and financial sponsors to access institutional capital across all forms of debt and equity to execute mission-critical transactions. We are experts at solving complex capital structure needs for our clients, and have global access to capital sources including banks, direct lenders, hedge funds, family offices, and private equity institutions.

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