

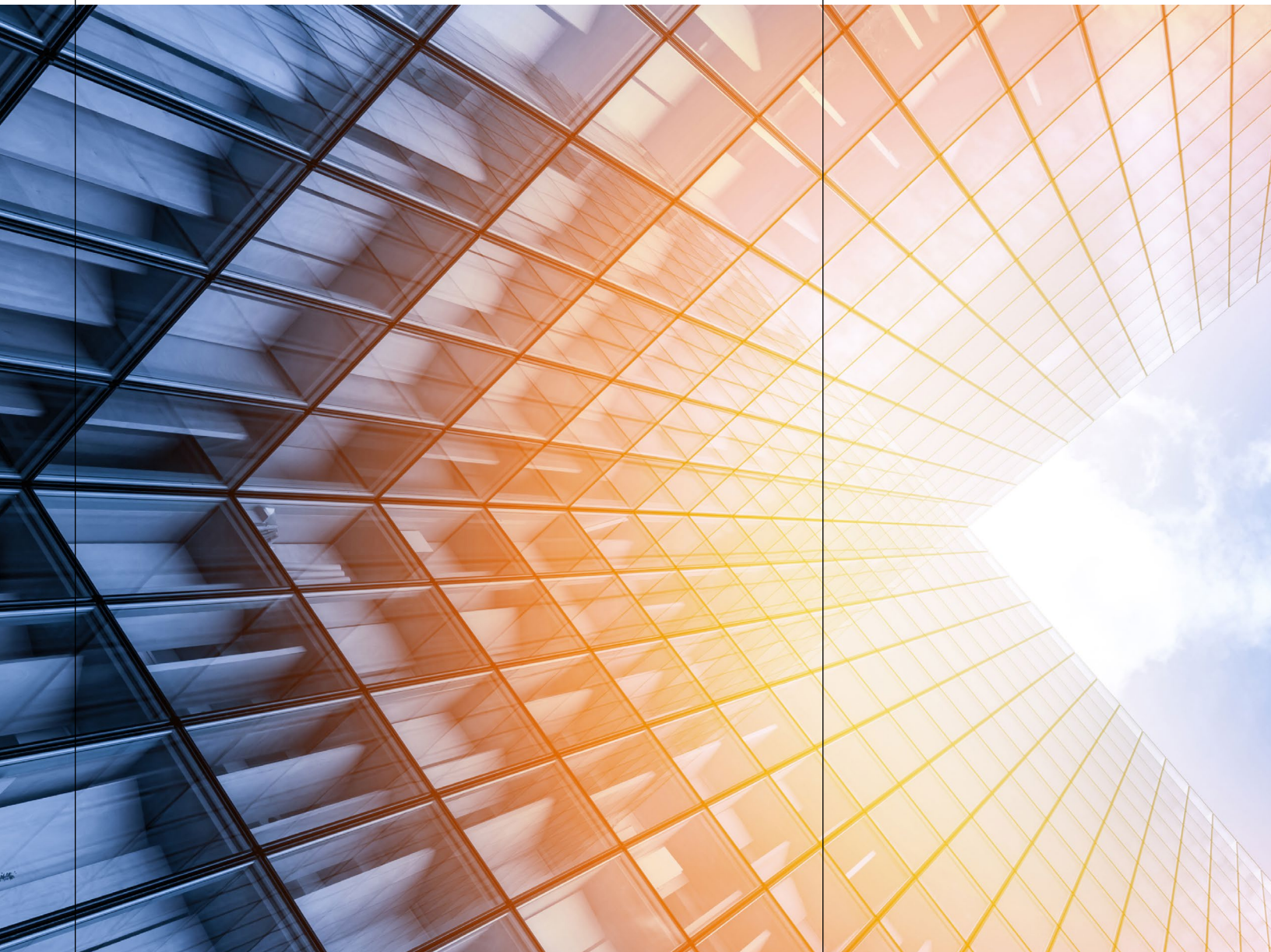
Q1 2020

We're Not In Kansas Anymore

In This Report

Highlights From William Blair's
Quarterly Leveraged
Lender Survey

Leveraged Finance



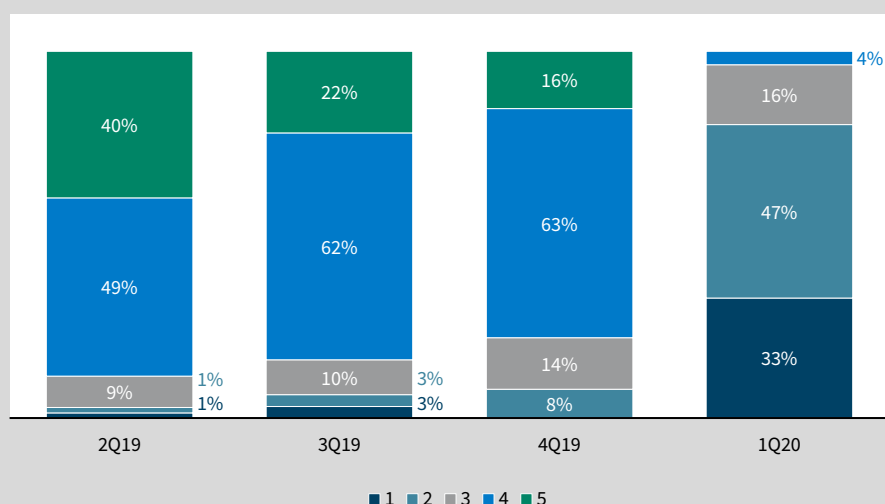
We're Not In Kansas Anymore

COVID-19 Pandemic Slams the Door on Discussion of When the Credit Cycle Will End

The first quarter of 2020 was one we certainly won't forget. Loan markets started the year extremely strong, recording the highest institutional loan volume since January 2017, but was quickly flipped on its head as COVID-19 drove people into their homes and rattled markets globally. With the landscape drastically different than it was in the first two months, and seeming to change by the day, we decided to focus this quarter's newsletter on the results we received from William Blair's Leveraged Finance Survey. The survey was given to a broad spectrum of lenders during the last few weeks of March, which is reflective of the market we operate in today.

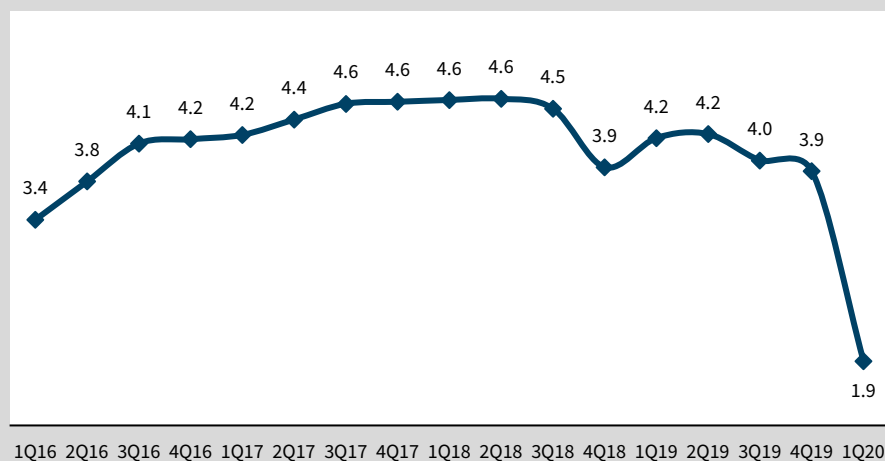
Please do not hesitate to reach out if you would like to discuss this feedback or any market trends in more detail.

On a scale of 1 to 5, how do you rate today's lending environment?



1 = Most Lender-Friendly; 5 = Most Borrower-Friendly

William Blair Leveraged Lending Index⁽¹⁾



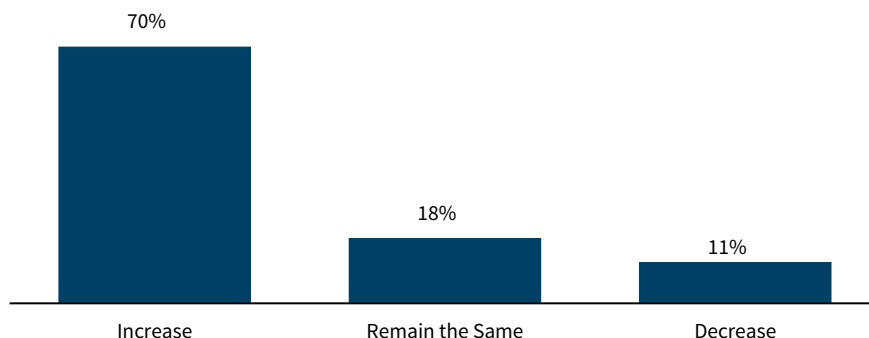
1 = Most Lender-Friendly; 5 = Most Borrower-Friendly

(1) Weighted average lender response to the question, "On a scale of 1 to 5, how would your firm rate today's lending environment?"

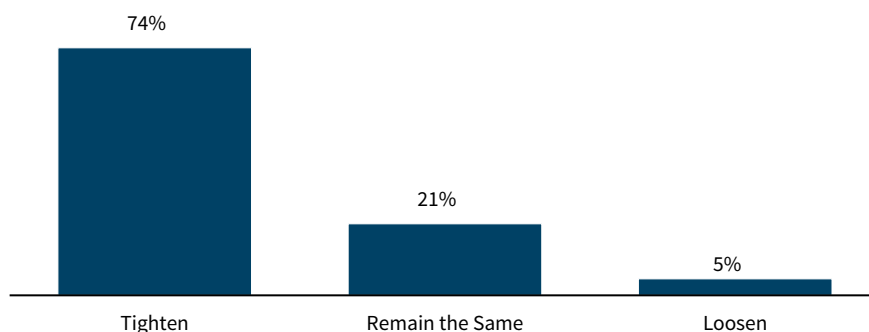
Leveraged Finance Survey

Each quarter William Blair surveys middle-market leveraged finance professionals representing leading credit funds, BDCs, commercial finance companies, commercial banks, and other credit providers to measure sentiment in the leveraged finance market. The data reflect responses from the more than 60 leveraged finance professionals who participated in the survey this quarter.

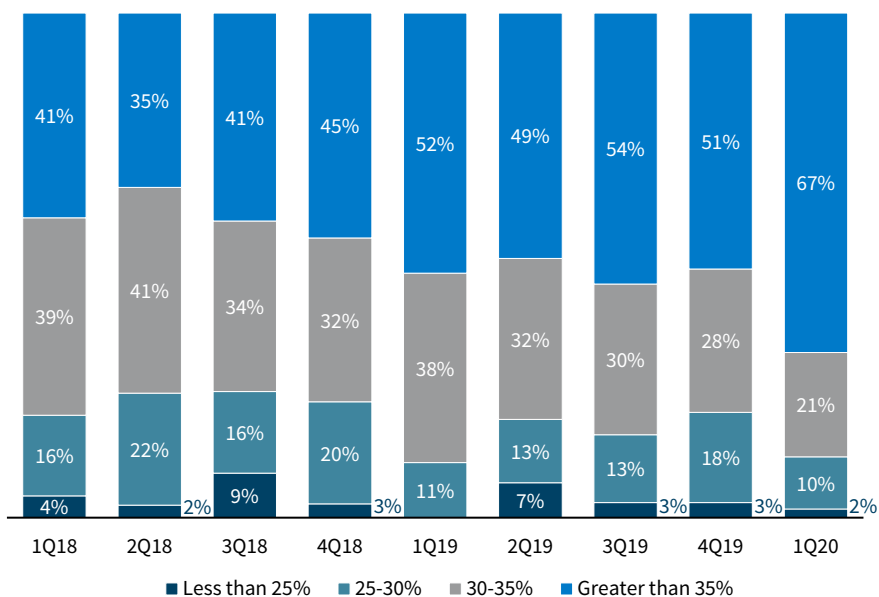
During 1Q20, did pricing for your primary debt offering?



During 1Q20, did transaction terms and leverage?

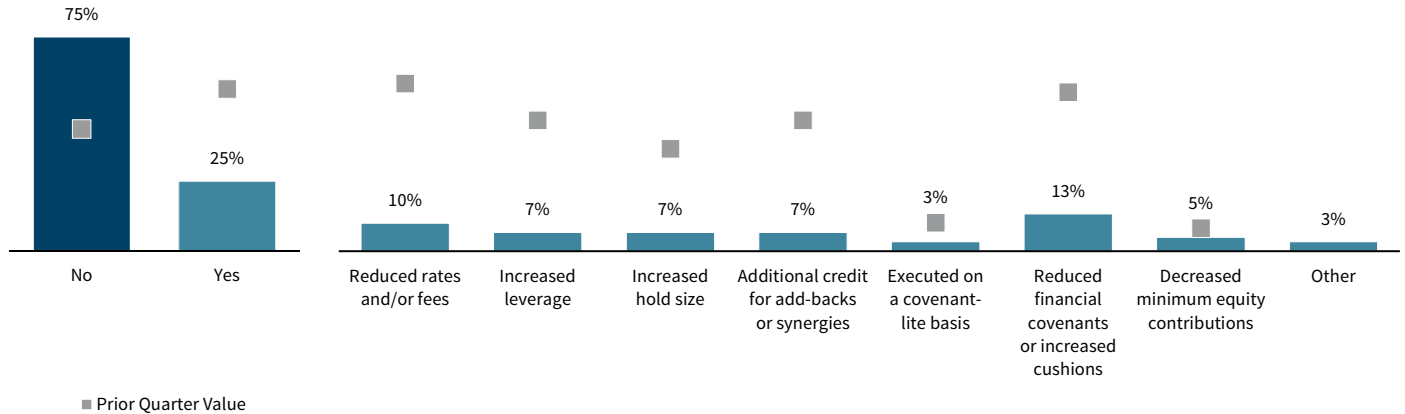


For transactions involving a private equity sponsor, what is the minimum equity contribution you require?

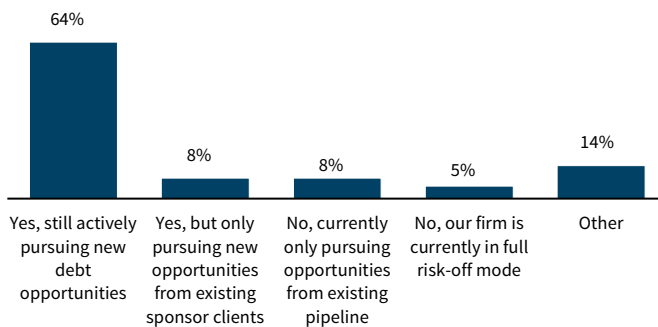


During 1Q20, did you make borrower-friendly concessions you historically would not have to win a deal?

If yes, what were the concessions?



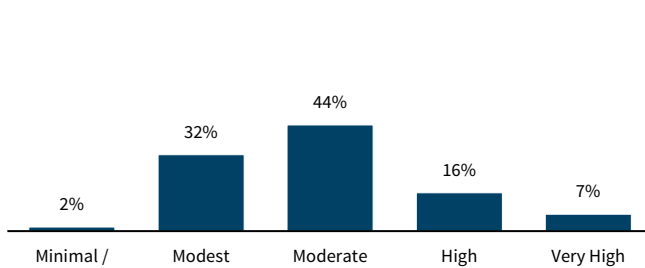
Given the changing environment around COVID-19 and associated market volatility, is your firm still actively pursuing new opportunities in the primary market?



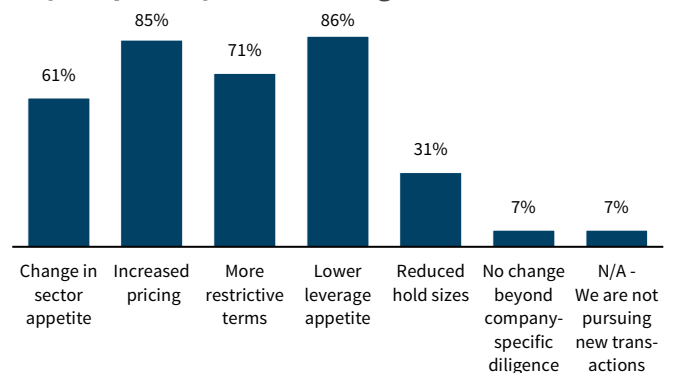
“Other” responses included:

- Selectively pursuing high quality opportunities structured and priced appropriately
- Pursuing new transactions but highly selective on credit (can be new or existing sponsor as long as business is solid)
- Active in the liquid markets. Wait and see in the illiquid markets
- Pursuing new opportunities but at lower risk and higher reward
- Pursuing transactions on a very selective and conservative basis
- Open, but extremely selective

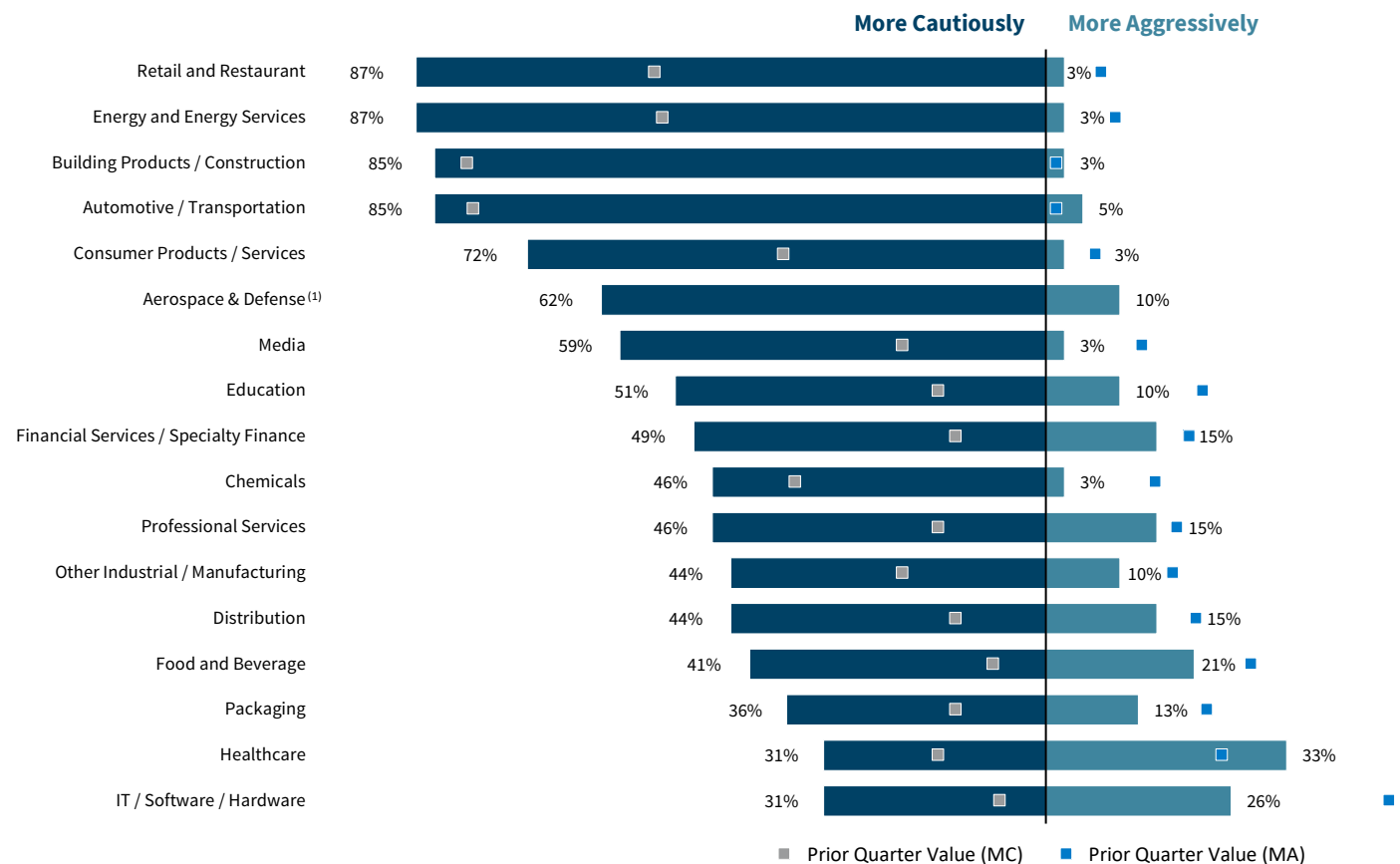
What is your firm’s perceived portfolio risk as it relates to exposure from COVID-19?



How has COVID-19 and associated market volatility impacted new transactions for your primary debt offering?

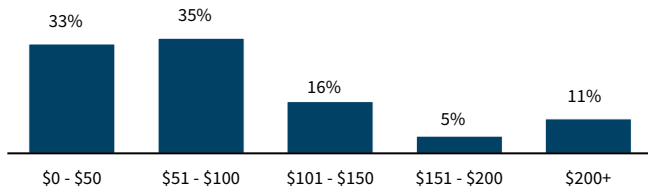


Are there any specific sectors or industries for which your firm is proceeding more aggressively or cautiously today compared with 6 months ago?

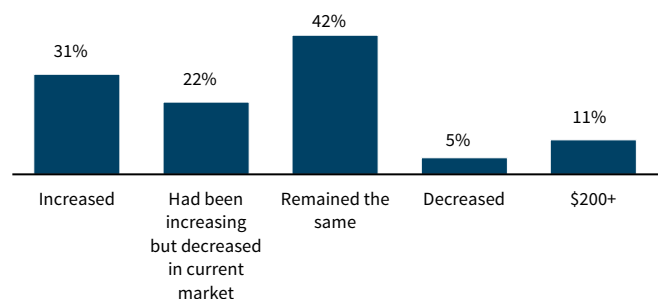


(1) Aerospace & Defense was added to the survey in 1Q20, so prior quarter value is N/A

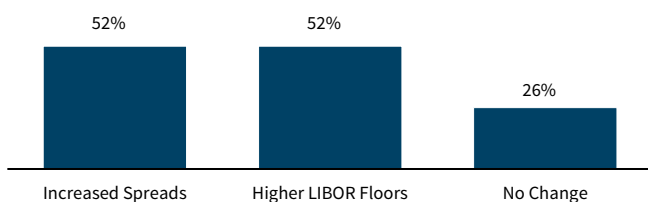
What is your firm's maximum hold size for a single credit?



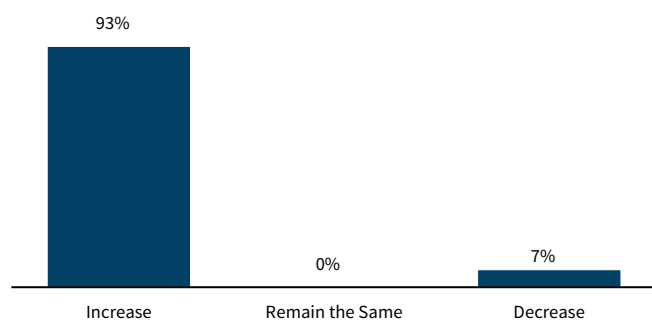
Over the past 12 months, what have you observed regarding your firm's maximum hold size?



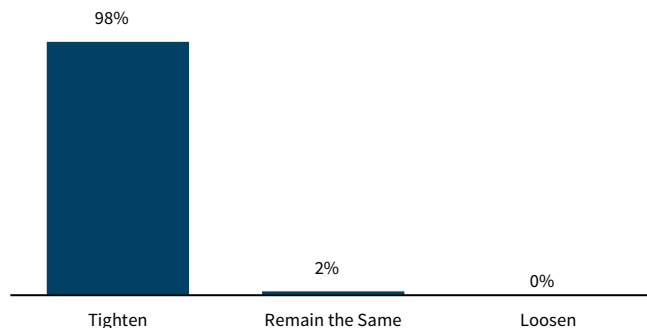
How have the recent Fed rate cuts impacted pricing for your primary debt offering? (check all that apply)



**For the remainder of 2020,
what are your expectations regarding
pricing of your primary debt offering?**



**For the remainder of 2020,
what are your expectations regarding
transaction terms and leverage?**



**For the remainder of 2020,
what factors or trends do you expect will have the greatest impact on the leveraged loan market?**

- Impact of Coronavirus on supply chains, demand drivers, and operations
- Economic recovery shape: V, U, W, or L
- The longer we practice social distancing, the deeper the economic impact and the more resources spent on existing portfolio companies
- Ability to quantify impact of COVID-19, oil, and macro changes
- The sooner there's an end in sight on the COVID-19 infection rate, the sooner the damage to the economy and portfolio companies can be estimated and modeled into existing and potential investments
- Lenders will allocate most of their resources to portfolio work and there will be limited resources to pursue new transactions
- Liquidity demands due to COVID-19
- No more addbacks! More thorough credit underwriting will be needed.
- Impact of COVID-19 and the depth / longevity of the recession we are entering. Liquidity will be key as many credits were already significantly over-levered heading into the recession
- Too soon to tell on COVID-19. Very few deals will get done until we have more clarity
- COVID-19 vaccination / therapeutic; then, to what extent do societal changes have staying power in the post-COVID world (dine-in traffic vs. delivery; virtual vs. in-person meetings, etc.)
- Coronavirus, Fed & Govt. response, oil prices, and the election
- Lender fall out – which lenders can fulfill their commitments, manage their deteriorating portfolio, have liquidity, etc.
- What factors will have the greatest impact? Seriously?

Drawing on our deep product expertise and the strength of our relationships, William Blair has built a leading leveraged finance franchise. Sponsors and business owners turn to us for outstanding execution in support of their capital-raising objectives.

Recent transactions include:

<p>Not Disclosed</p>  <p>Split Lien Credit Facilities</p> <p>March 2020</p>	<p>Not Disclosed</p>  <p>Split Lien Credit Facilities</p> <p>September 2019</p>	<p>Not Disclosed</p>  <p>Multi-Currency Credit Facilities</p> <p>July 2019</p>
<p>\$70,300,000</p>  <p>Senior Secured Credit Facilities</p> <p>June 2019</p>	<p>\$160,000,000</p>  <p>Unitranche Credit Facility</p> <p>May 2019</p>	<p>\$410,000,000</p>  <p>First Lien and Second Lien Credit Facilities</p> <p>May 2019</p>

**William Blair
by the Numbers**

100+

completed leveraged finance transactions since 2015

\$14B+

arranged financing since 2015

425+

lender and alternative credit provider relationships

William Blair's Leveraged Finance team structures and arranges debt capital in support of acquisitions, recapitalizations, and growth through its well established relationships with debt capital providers globally.

- Over \$30 billion of completed financing arranged since 2012
- Specialists who are experts in complex engagements, including those requiring insightful credit positioning and the arrangement of multiple layers of capital
- Robust distribution capabilities providing a 360° view of the market; relationships with more than 400 lenders and significant transaction experience with alternative credit providers
- Real-time, proprietary view of the leveraged finance market from William Blair's global M&A and debt advisory practices
- Senior banker attention and unbiased, objective advice; senior bankers average more than 20 years of experience
- Thoughtful, customized financing processes that produce outstanding outcomes

With more than 180 senior bankers around the world, William Blair has completed more than 1,075 advisory and financing transactions totaling nearly \$375 billion in value for our clients.*

Leveraged Finance

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* In the past five years as of March 31, 2020

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William Blair’s investment banking group enables corporations, financial sponsors, and owner/entrepreneurs around the world to achieve their growth, liquidity, and financing objectives.

Drawing on the collective intellectual capital and deep sector expertise of a global team that reaches 20 cities on four continents, the investment banking group brings a rigorous and innovative approach to corporate board advisory projects, mergers and acquisitions, and equity and debt financing. From 2015 to 2019, the team advised on more than \$365 billion in completed transaction volume.