



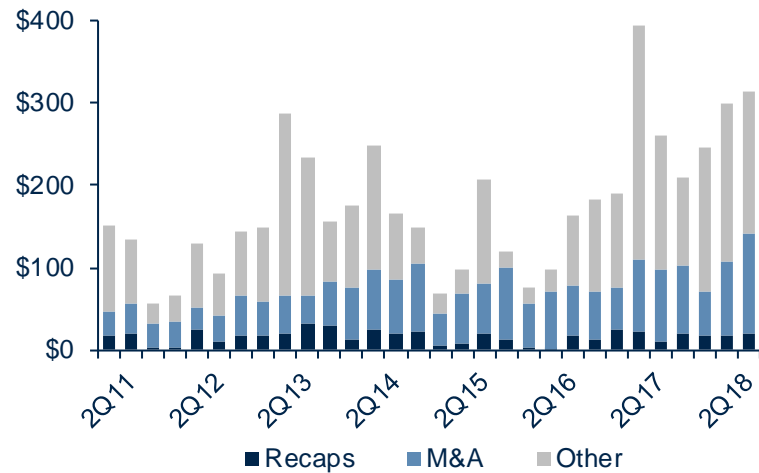
# ALVAREZ & MARSAL LEVERAGED LOAN MARKET UPDATE

## 2018 Q2

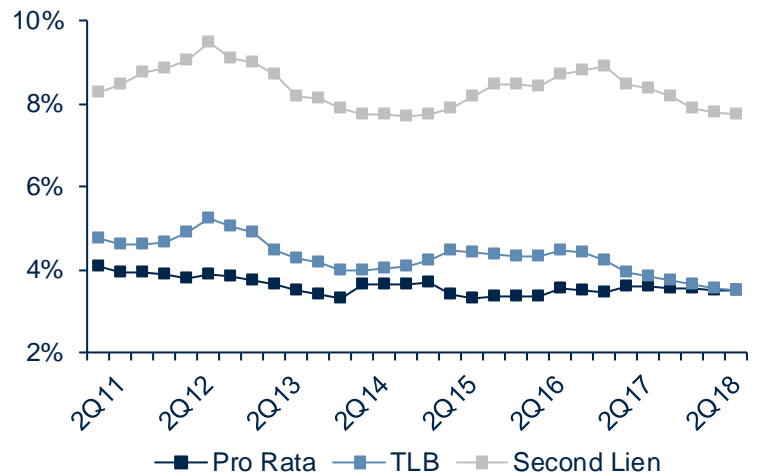
Driven by a record-breaking M&A market and historically low credit spreads, the leveraged loan market was white-hot in the second quarter of 2018. Leveraged loan issuance volume for the quarter (\$313 billion) was the second highest in the past five years, and together with 1Q18, volume for the first half of 2018 (\$612 billion) reached a fifteen-year high. M&A leveraged loan volume for the quarter grew by 39% year-over-year to \$121 billion, which represents the highest issuance volume in a single quarter since 2000. Lastly, after a weak year-over-year growth in the first quarter, recap loan volume grew by 105% year-over-year to reach \$21 billion in 2Q18.

As capital providers compete aggressively for new deals, loan covenant protections have continued to loosen. Moody's quarterly Loan Covenant Quality Indicator (LCQI) slid to its weakest level on record in 2Q18, highlighting the ongoing deterioration in covenant protections. As companies continue to take advantage of the favorable lending environment, Boards of Directors face increasing responsibility to stay vigilant when considering leveraged transactions.

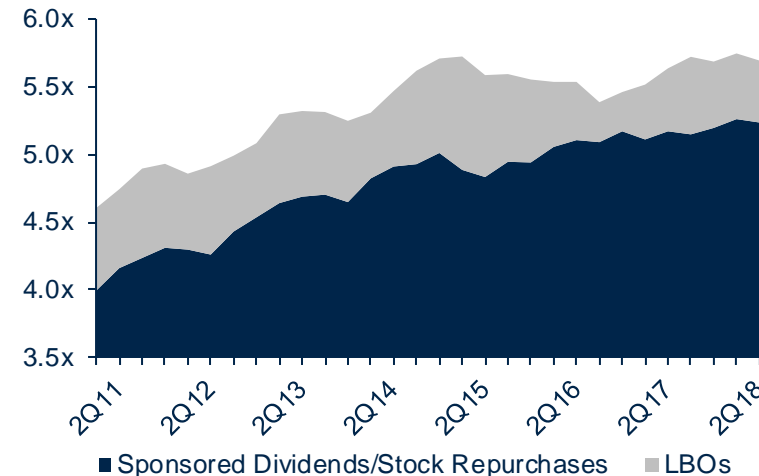
**LEVERAGED LOAN ISSUANCE VOLUME BY QUARTER (\$BN)** .....



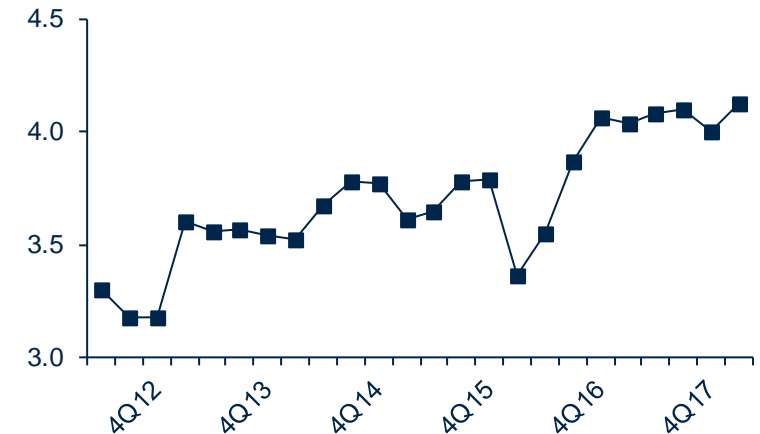
**LEVERAGED LOAN CREDIT SPREADS BY TRANCHE BY QUARTER (TTM AVERAGE)** .....



**PRO FORMA DEBT / EBITDA FOR LEVERAGED LOAN ISSUANCES BY QUARTER (TTM AVERAGE)** .....



**MOODY'S LOAN COVENANT QUALITY INDICATOR (LCQI) SCORES (LOWER = BETTER)** .....



Alvarez & Marsal's Transaction Opinions practice has deep expertise in providing opinions that facilitate mergers/acquisitions, leveraged buyouts, dividend recapitalizations, spin-offs/divestitures, and other corporate transactions.

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