



INDEX AETHER FS UNITRANCHE FRANCE

SECOND QUARTER 2022
EDITION

THE FIRST
BENCHMARK
PRIVATE DEBT INDEX
IN FRANCE

SEPTEMBER 2022



AETHER
FINANCIAL SERVICES

AETHER FS UNITRANCHE FRANCE

I N D E X

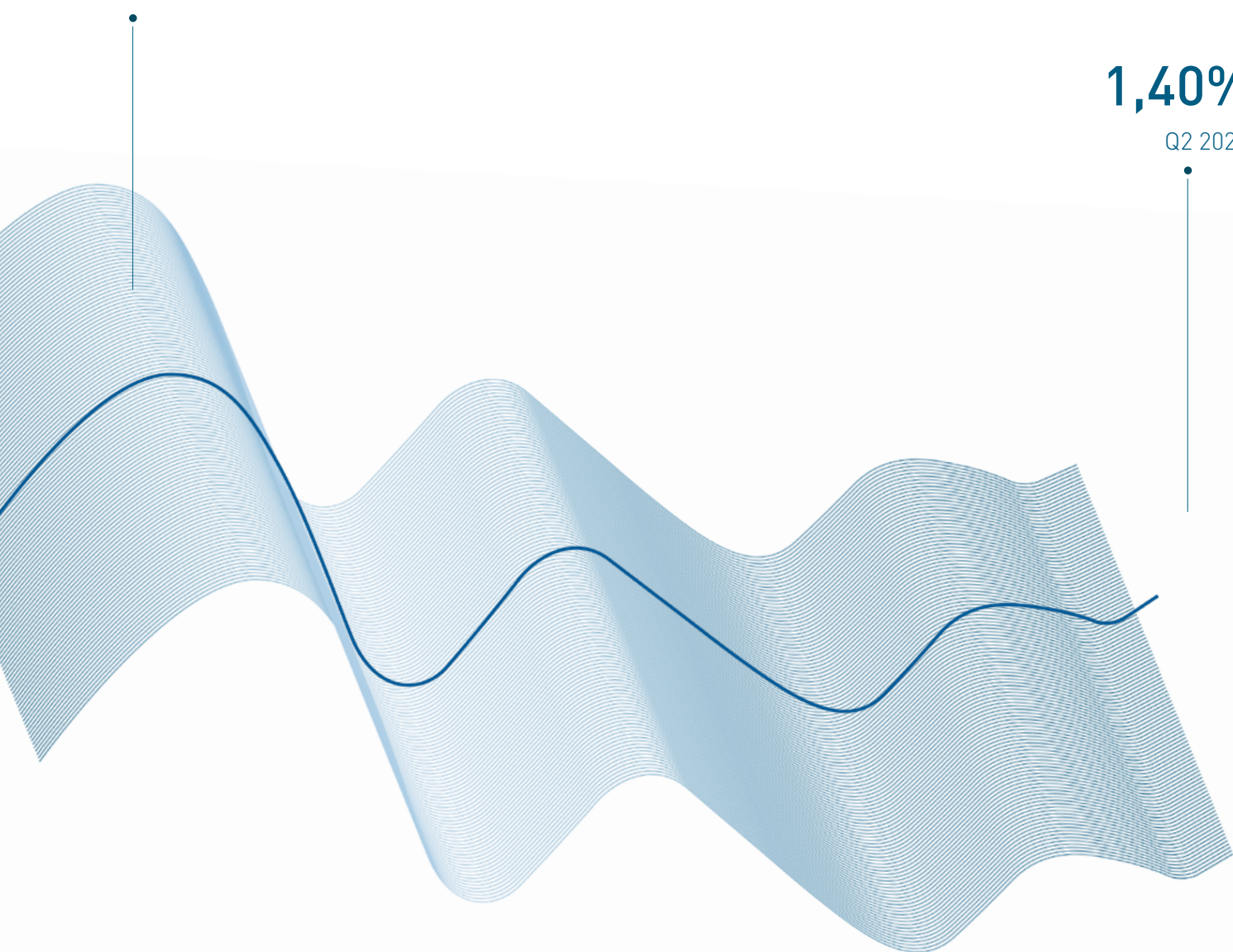
Source : Aether Financial Services

1,85%

Q2 2018

1,40%

Q2 2022



METHODOLOGY AND CONTRIBUTORS

The Aether FS Unitranche France index is calculated on the basis of the ratio between interest margin and leverage at a deal's closing on a six-month rolling average (see formula below):

$$\text{Aether FS Unitranche France Index} = \text{6-month moving average} \left(\frac{\text{interest margin}}{\text{leverage}} \text{ closing data} \right)$$

For the fourth publication of Private Debt benchmark focused on French market, Aether Financial Services is pleased to work once again on with **Kerius Finance**¹ and welcomes the contribution of this independent player to enrich Aether FS's database .



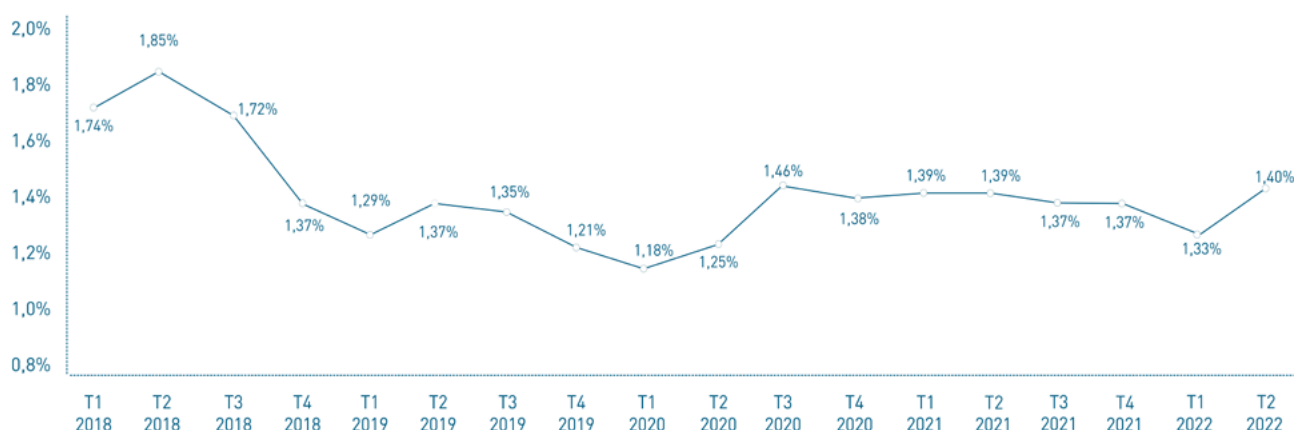
¹ Kerius Finance (www.kerius-finance.com) is an independent consulting firm specialising in managing and hedging interest-rate, currency and commodity risks.

INDEX AS OF Q2 2022

Chart 1

INDICE AETHER FS UNITRANCHE FRANCE

Source : Aether Financial Services



What was expected in the first quarter of this year is finally coming true in the second. The Aether FS Unitranche France index reflects the impact of the current environment with all of its related uncertainties. The index is therefore back on the rise with a margin of 1.40% per leverage round, a level last reached during the COVID pandemic.

The sample of 34 tranches confirms the first quarter trends and illustrates the willingness of debt funds to position themselves on more secure transactions whilst seeking a higher return on risk. Indeed, while the average leverage at closing was down (4.68x in Q1 2022 vs. 4.56x in Q2 2022), the average margin (excluding base rate) at closing was up by 25 bps to 6.28%.

In addition to this increase in average margins, base rates have risen. The 1-year, 6-month and 3-month Euribor have successively become positive since April and for the first time since 2015. If economists had predicted this rise in base rates, the speed and sharpness of the increase had been underestimated. The multi-factors known to all have amplified the trend (ECB rate hike, inflation, war in Ukraine).

However, the number of transactions was not affected in the first half of the year with investors aiming to build up on deals, anticipating a potential slowdown in the second half. Nevertheless, deal size continued to decline in the second quarter with deals averaging around €72m.

INDEX COMPONENTS

Chart 2

CLOSING LEVERAGE RATIOS

Source : Aether Financial Services

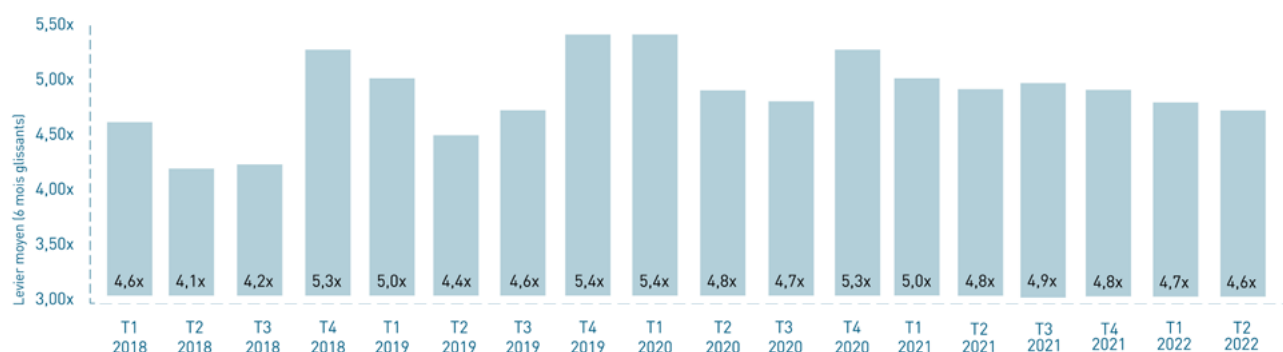
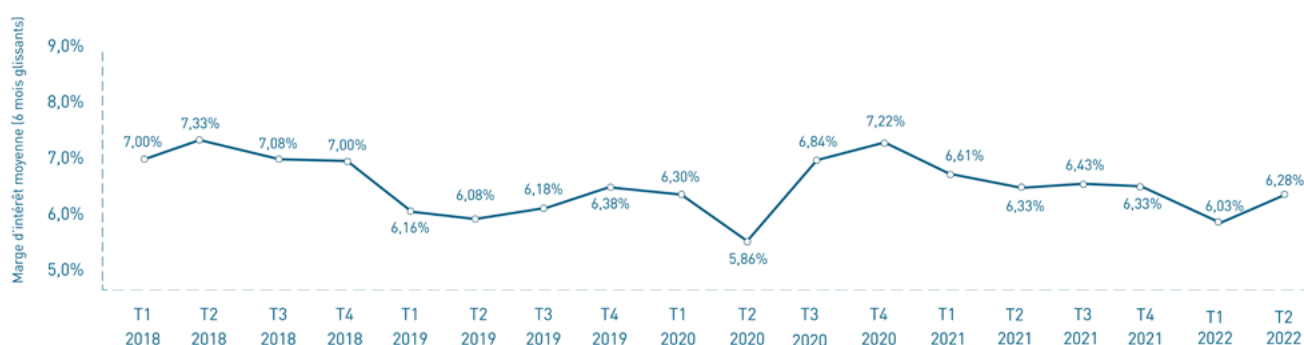


Chart 3

CLOSING SPREADS

Source : Aether Financial Services



The decline in average leverage ratio is in line with the previous two quarters, with a 0.21x decrease compared to the same date last year, i.e. a decrease of 4.4% on a rolling year basis. However, unlike previous quarters where average leverage and margin fell concomitantly, the second quarter of 2022 is marked by an increase in average margins at the closing dates.

This trend reversal has not been seen since the beginning of COVID and is justified by the markets' uncertainty re the coming months.



A CONTEXT OF OPPORTUNITIES FOR DIRECT LENDING

Prevention is better than cure. The LBO world seems to be alert to this maxim which has, in the past, prevented many defaults.

Due to COVID, PE and debt funds have displayed a mood of anticipation with sound discussions on future defaults (covenant breaches) and the setting up of EMPs (PGE) largely ratified by all parties.

2022 brings its share of uncertainties. The geopolitical and economic context leads to great caution in the management of portfolio. In addition to the amounts available and not yet drawn down (approximately €820m spread across 35 deals), the structures put in place since the beginning of the year largely include available, non-committed lines.

Debt funds still have significant dry powder that they can make available for new deals as well as for portfolio management purposes. One of the growth drivers for debt funds is the BLT market. Banks have significantly withdrawn from this market due to European authorities' constraints. With more favourable market conditions debt funds could step up in this market.

In terms of portfolio management, issuers took advantage of the first half of the year to increase their financing capacities. Although there were no "pre-baked" tranches initially planned, this was mainly done by implementing additional tranches to re-leverage at still acceptable market conditions (23% of AFS deals under monitoring). Refinancing to extend the maturity of current debt was the alternative strategy (6% of AFS deals under monitoring).

PRESENTATION OF AETHER FINANCIAL SERVICES

An independent French leader in execution services for financial transactions, Aether Financial Services was founded in 2015 by Edouard Narboux and Henri-Pierre Jeancard.

Based in Paris and London, Aether Financial Services consists of a 20-person-plus multi-cultural team, who are experts in three business lines.



Agency

Aether Financial Services works in the private debt and capital markets, covering all agency roles, including loan agent, bond agent, administrative agent, calculation agent, and security agent.



Valuation & Calculation

Aether Financial Services runs valuations on all types of financial instruments and securities, from the most vanilla to the most highly structured for recurring, specific or one-off needs.



Corporate and Issuer Services

Aether Financial Services offers an entire range of digital solutions for administrative management of corporate actions, such as recapitalisations, AGMs, and account-keeping.



Aether Financial Services' solidarity commitment

For several years now, Aether Financial Services has been involved in associations via Social-Impact Contracts, including **Cravate Solidaire**, the **Fondation Auteuil** and **Article 1**.

In 2021, Aether Financial Services pledged to help protecting the environment through reforestation and preservation of forests, alongside **Reforest'Action**. This partnership reflects Aether Financial Services' environmental commitment and its determination to take part in combating climate change.

GET THE NEXT EDITIONS

To keep abreast of the latest developments and receive future publications of the AETHER FS Unitranche France Index, please write or email us, while including the following details:

Last name*:

First name*:

Position*:

Company:

Email address*:

Telephone number:

By mail to Charles Rabiau, Aether Financial Services, 36, rue de Monceau 75008 Paris, France

By email to indicedetteprivee@aetherfs.com

*Legal notice

Information provided on this form is kept in a computerised file by Aether Financial Services. The data processing officer, as defined by the GDPR, is Laurent Fieux. The information that you provide on this form will be used to send you exclusive news on the AFS Unitranche France Index, unless otherwise stated on the form.

Information you provide is processed for the sole purpose of informing you of releases of Aether Financial Services on the AFS Unitranche France Index. No information you provide will be disclosed to third-party companies.

Data compiled will be sent only to the following recipients: Laurent Fieux (lfieux@aetherfs.com). The data will be kept for 10 years on the Aether Financial Services server, located in France. You may, at any time, access, rectify or withdraw data relating to you, ask for it to be deleted, or exercise your right to limiting the processing of your data by emailing us at agency@aetherfs.com or contacting us by traditional mail at Laurent Fieux, Aether Financial Services, 36 rue de Monceau, 75008 Paris, France.





INDICE AETHER FS

UNITRANCHE FRANCE

www.aetherfs.com

Follow us on social media via our
LinkedIn page or our website.

ÆTHER
FINANCIAL SERVICES

info@aetherfs.com



FR
36, rue de Monceau – 75008 Paris
France



UK
28 Queen street – EC4R 1BB London
United Kingdom