



INDICE AETHER FS UNITRANCHE FRANCE

FIRST QUARTER 2022
EDITION

THE FIRST
BENCHMARK
PRIVATE DEBT INDEX
IN FRANCE

JUNE 2022



AETHER
FINANCIAL SERVICES

AETHER FS UNITRANCHE FRANCE

I N D E X

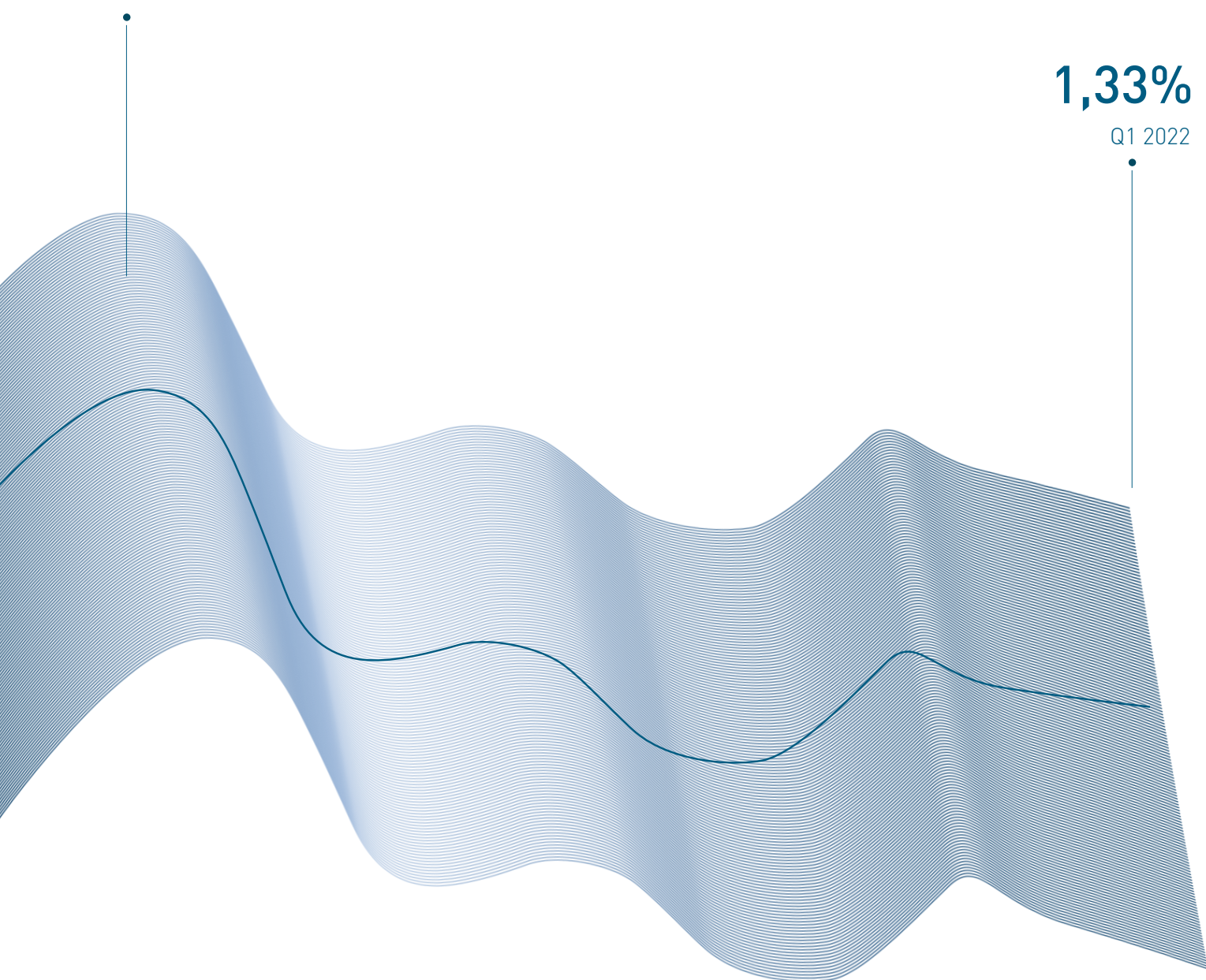
Source : Aether Financial Services

1,85%

Q2 2018

1,33%

Q1 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 focus 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 .



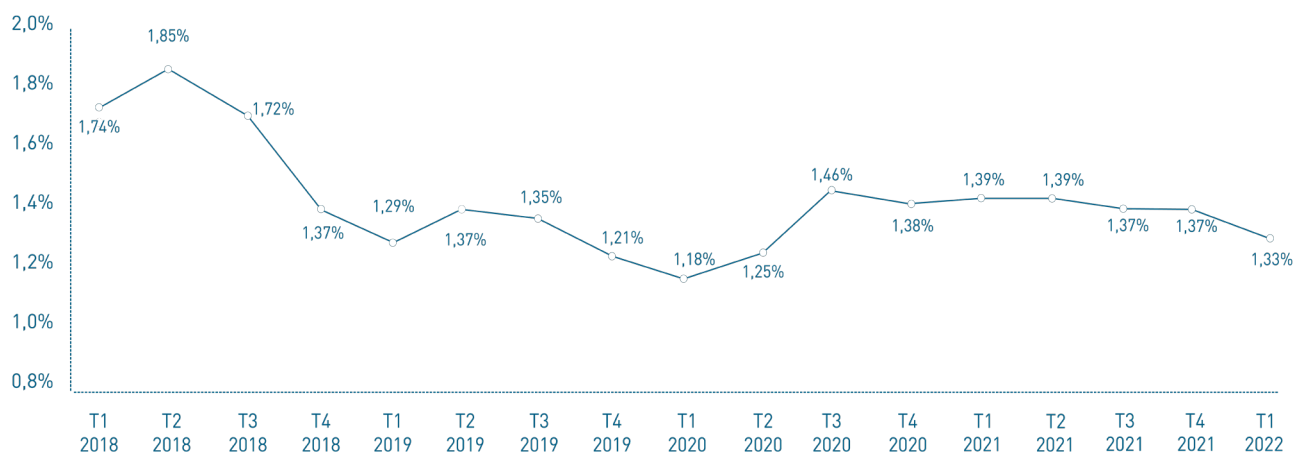
¹ Kerius Finance (www.kerius-finance.com) is an independent consulting firm specialising in managing and hedging interest-rate, currency and commodity risks.

INDEX AS OF Q1 2022

Chart 1

INDICE AETHER FS UNITRANCHE FRANCE

Source : Aether Financial Services



The slight downward trend observed in 2021 was confirmed in the first quarter of 2022 with an **Index level set at 1.33%**.

Although counterintuitive due to the swing in the macroeconomic and geopolitical context since early 2022 with consequential increases in spreads which should have resulted in an upward trend for the index, this slight decrease is the result of a sample of nearly 30 tranches drawn on transactions structured and/or priced well before the last events that changed the rules of the game.

Thus, this reflects the market conditions of the period between October 2021 and March 2022. The expected increase should begin to appear in the Q2 2022 Index but more likely will materialise in the Q3 2022 release.

Beyond this inertia, inflation and the geopolitical context have already started to impact the base rates. Despite being the variable component of Unitranche lenders' remuneration, they are not included in the Index calculation.

For example, the 3-month EURIBOR (although still negative) went up from -0.57% in early January 2022 to -0.46% at the end of March 2022 while in the meantime and for the same period, the 3-month USD LIBOR rose from 0.22% to 1.00%.

The average size for transactions completed in Q1 2022 was around €80 million, down from €125 million during the last quarter of 2021.

INDEX COMPONENTS

Chart 2

CLOSING LEVERAGE RATIOS

Source : Aether Financial Services

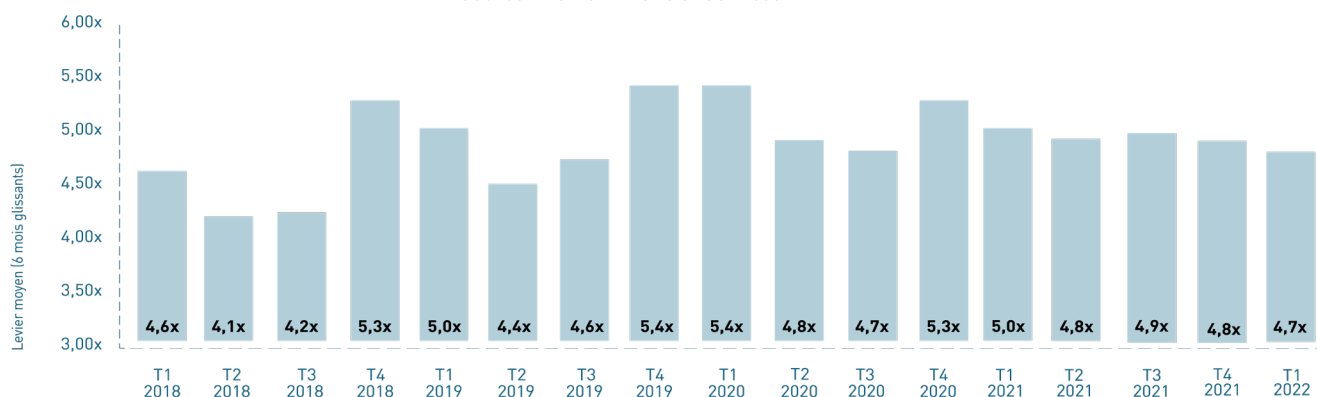
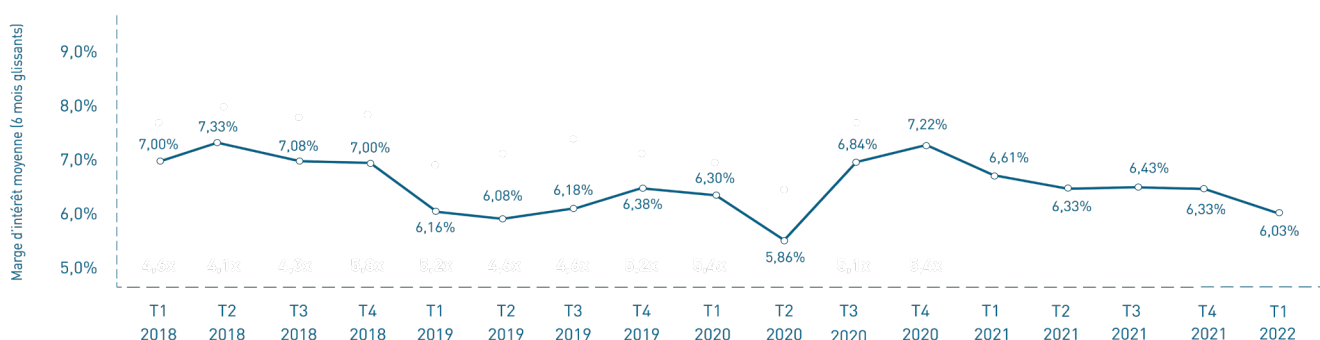


Chart 3

CLOSING SPREADS

Source : Aether Financial Services



The leverage continued to decrease in the first quarter of 2022, **down by 0.33x** compared to the same period last year, representing a 6.5% decline over a rolling year.

However, over the same period, the average spread, which represents lenders' remuneration, dropped by 9% within a year, down from 6.61% to 6.03%.

The conjunction of these factors, more accentuated on spreads, explains the slight Index decline in Q1 2022. It is worth noting that the spreads amplitude in Q1 2022 remains identical to the levels observed at the end of 2021, between 4% and 8.5%.



NON-CALL CLAUSES IN UNITRANCHE FINANCING

The vast majority of Unitranche financing includes what is known as a «no-call» clause. This clause sets out a period during which the issuer is prohibited to make an early repayment (named «hard» non-call) or a strong financial incentive not to do so (named «soft» non-call), taking the form of an early repayment penalty.

The portfolio review of the Unitranche financing on which Aether Financial Services acts as an agent shows that **the “non-call clause” insertion is systematic**. The main findings are as follows:

- All “non-call clause” are soft ones, no “hard non-call”,
- The average duration of the non-call period is 21 months (between 18 and 24 months in most cases),
- The structure of the prepayment penalty is as follows:
 - ◊ For 75% of cases, it corresponds to the higher amount between (i) 1 or 2% of the principal prepaid and (ii) the total of all outstanding interest until the end of the non-call period,
 - ◊ For 15% of cases, it corresponds to the interest amount remaining until the end of the non-call period only,
 - ◊ For 10% of cases, it corresponds to 1 or 2% of the principal prepaid only.
- Most of the time, the prepayment penalty structure evolves according to the number of months remaining in the non-call period. Example: during the first year, the penalty equals 2% of the prepayment then during the second year, the penalty equals 1% of the amount prepaid,
- 85% of Unitranche financings include a «freebie amount», i.e. an amount exempt from the prepayment penalty. The freebie amount gives flexibility to the borrower/issuer for partial prepayments and is usually set at 10% of the total amount of the financing.

As a conclusion, if Unitranche lenders wish to protect themselves from early repayment, issuers and sponsors still have some flexibility if they are willing to “pay the price”, which is consistent with the very principle of this asset class.

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 protect 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.

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