Ducera

Ducera Quarterly Update

3rd Quarter 2024
October 2024

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I. Macro Trends

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Macro Trends: Executive Summary

- **Equity and Credit Markets (Pages 7-15):**
  - In anticipation of and following short-term Fed funds rate cuts of 50 basis points in mid-September, equity markets continued to rally, while credit market yields have gone down
    - For equity indexes, the S&P 500 was up ~5.5%, NASDAQ up ~2.6%, and Russell 2000 up ~9% (following a QoQ decrease in Q2) - the S&P 500 reached an all time high on September 30, 2024, driven by the value side of the market as mega cap tech stocks lose momentum following Q2
    - Credit markets saw yields drop along with treasuries – leveraged loans YTM ended the quarter at ~8.4% (CS Leveraged Loan Total Return Index) and high yield YTM reached ~7.2% (Bloomberg US HY Price Index)
  - In the treasury markets, yields have decreased across the board given Fed rate cuts, with the most drastic impact observed on 2-year treasury yield which fell ~111bps during 3Q24 to 3.64%. After a record two years of 2-10 treasury yields inversion, 2-year treasury yield finally dropped below both its 10-year and 30-year counterparts
  - Near-term economic forecasts continue to revise upwards while consensus estimate for a recession in the next 12 months remained at 30% in 3Q24
- **M&A and Investment Activity (Pages 17-18):**
  - M&A activity saw deal volume increase ~21% from 2Q24 driven by high deal activity by both strategic and sponsor buyers. Strategic deal value increased ~26% QoQ, while Sponsor-backed activity increased ~14% QoQ
  - VC deal count declined ~5% QoQ. However, deal volume continues its sequential rise since trough VC Activities in 2Q23
- **Fund Flows and New Issue Markets (Pages 20-21):**
  - In 3Q24, CLO issuance fell ~23% from last quarter, with $41bn new CLO issuance raised in the quarter compared to $53bn in Q2
  - Private capital market has seen significant growth particularly within private debt and private equity, with capital raised YTD at ~96% of FY23 levels
  - High Yield new issuances fund flow experienced the highest level since 2Q20, while leveraged loan funds saw more outflow this quarter
  - Leveraged loan and high yield new issuances both declined QoQ, with leveraged loan issuance falling to $145bn from $184bn last quarter. High Yield New Issuances experienced a smaller decline from $76bn last quarter to $74bn in Q3
- **Distressed Opportunity Indicators (Pages 23-24):**
  - On rating agency trends, both Moody's and S&P continued to record more upgrades than downgrades. Notable downgrades in the consumer and media & entertainment industry include Naked, Walgreens, Gray's TV, Dish Network, and Lipton
  - Ducera's distressed debt company tracker[1] identified the following sectors with most debt trading in stressed / distressed levels: telecom (~$30bn of distressed debt), software / consulting (~$24bn of distressed debt), and healthcare services (~$15bn of distressed debt)

Notes:
(1) Ducera's distressed debt company tracker tracks all identified bonds & loans with trading prices < 85c, yielding > 15%, and with ≥ $100mm outstanding

i. Macro Trends: Equity and Credit Markets

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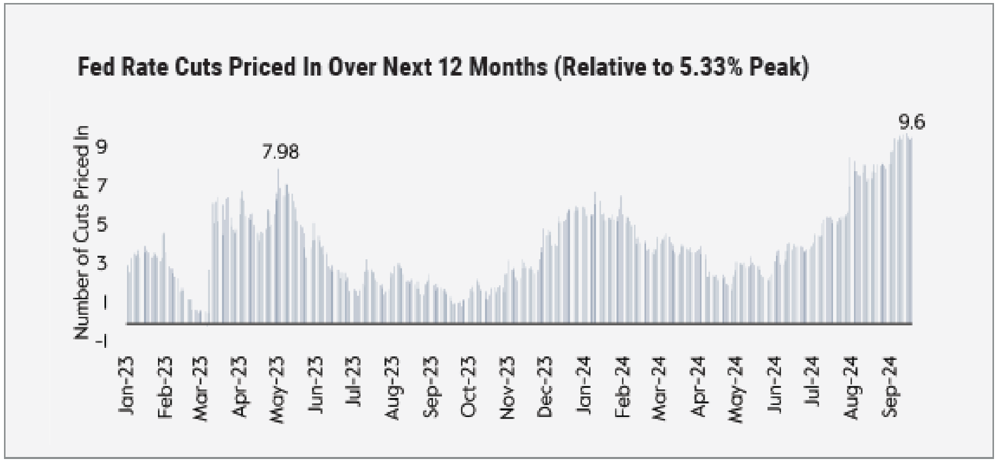
Macro Trends: Cary Street Partners Commentary Sep. 24, 2024

Market results for the third quarter were good. Despite a volatility spike induced by the unwinding of the Yen carry trade in early August, stocks and bonds have moved notably higher since the beginning of July. Breadth and participation have improved in equities since we commented on this dynamic in the 2Q Street SMARTS. During the third quarter through this writing, large-cap stocks defined as the Russell 1000 were higher by 5.02%. Small caps were outperformers for the period, with the Russell 2000 higher by 9.10%. All equity styles and market capitalizations were higher, although the value side of the market was better than the growth side. Mega cap tech stocks have caught a bid recently but longer term are losing momentum relative to other sectors. Given that technology comprises roughly one-third of the S&P 500 Index, this could portend an ongoing scenario in which the S&P struggles versus other market averages. This is all part and parcel of improved breadth and rotation within the equity market, which is the lifeblood of a sustainable uptrend. In fact, this scenario is essentially what we saw in Q3. Relative to the cap-weighted S&P, equal-weighted S&P outperformed. The opportunity set going forward is more favorable toward small caps, equal weight large cap strategies, and market sectors such as, but not limited to, financials. Rotation is the most important pivot going on in equities.

The macro update is clearly one that features Fed moves on short-term Fed funds rates, which were lowered in the September meeting by 50 basis points. Much of this event was forecast and priced in ahead of the announcement. Bonds are higher in the quarter by 5.45%, as defined by the Bloomberg US Aggregate Index. Yields are much lower than back on May 2nd when we published "Another Chance to Bite into Bonds." The benchmark 10-year Treasury yield at that point was roughly 4.5% and is now roughly 3.75%. The policy-influenced 2-year Yield has fallen even more. While still generally constructive on bonds, easy money was made on entry points previously recommended back in late October 2023 and May of this year. Bond performance going forward is likely to be more incremental. Bond markets have anticipated a hefty series of rate cuts. A potential fallout of the recent sizable move may be the need for fewer cuts going into next year.

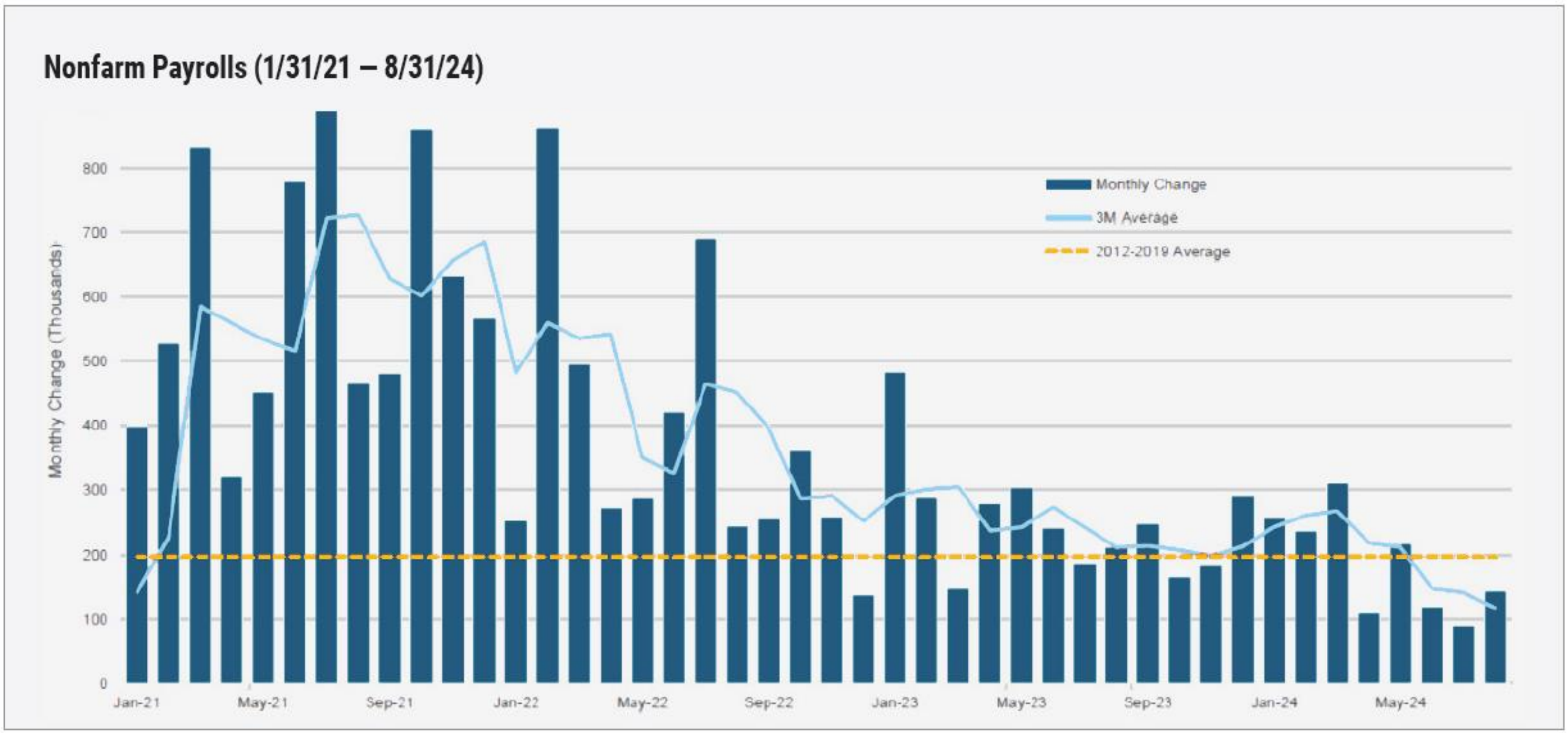
The Federal Reserve's move to cut Fed funds rates was unprecedented in one important respect. Every other instance in which the Fed has started a rate-cutting cycle by 50 basis points has been in reaction to a sharply weakening economy or emergency, think Great Financial Crisis. Consequently, one must throw out the historical impacts of this rate cut as this is very much a non-recessionary rate cut. The Fed is cutting rates first and foremost in reaction to much lower inflation data that has created a more restrictive policy each time we receive a lower inflation mark. Prior to the cut, the Fed was sitting at a 5.25 to 5.5% Fed funds rate target versus an inflation rate approaching 2.5%. In fact, both core CPI and PCE have annualized below 2% over the last three months. That creates a lot of room for Fed funds to go down and remain restrictive, albeit to a lesser degree. A rate of roughly 100 basis points over inflation is what we describe as close to neutral.



Sources for charts: Carlyle Analysis; Bloomberg
Notes: There is no guarantee any trends will continue

Macro Trends: Cary Street Partners Commentary (Continued)

At the same time, inflation has moved toward its target, and the Fed's other mandate, full employment, looks a little wobbly. We would describe this as normalization from the exceedingly tight labor market of two years ago and not something terrifying, but job growth has diminished, and labor supply is up. The bottom line is that the Fed policy has shifted as risks have shifted — the odds of higher inflation are less than the odds of higher unemployment



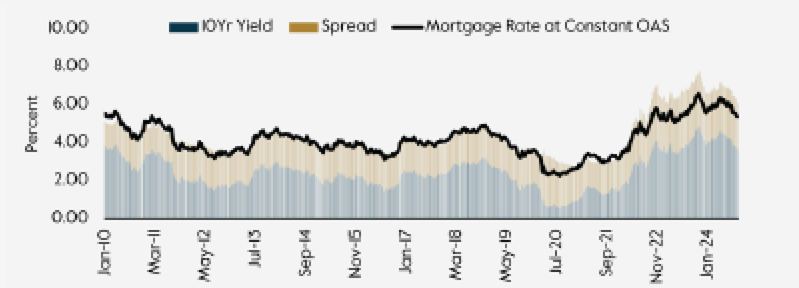
Source for chart: Natixis Portfolio Analysis & Consulting; Bloomberg; Carlyle Analysis; Federal Reserve
Notes: There is no guarantee any trends will continue

Macro Trends: Cary Street Partners Commentary (Continued)

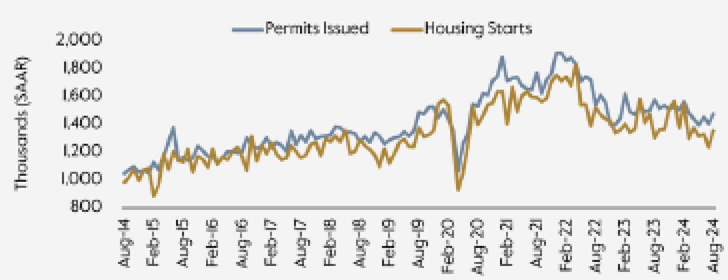
The most significant economic consequence of rate cuts is likely to be in housing. Mortgage rates have already declined about 170 basis points from last year at this time. If rates get into the 5.5% to 5.75% zone, that should spur some significant pick-up in residential transaction volume. Housing Starts are still about 25% below pre-rate hike cycle levels. A pick-up in housing has a huge economic multiplier effect, which, added to the productivity and capital investment dynamics we have previously commented on, portends a solid economy.

The most significant economic consequence of rate cuts is likely to be in housing.

U.S. 30 Year Fixed Mortgage Interest Rate



Fixed Residential Investment Indicators



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The above is prepared by Tom Herrick, Market Strategist of Cary Street Partners, a leading RIA with ~$9 billion AUM. Ducera invested in, and maintains a strategic partnership with, Cary Street Partners since 2019

Source for chart: Natixis Portfolio Analysis & Consulting; Bloomberg; Carlyle Analysis; Federal Reserve

Notes: There is no guarantee any trends will continue

Macro Trends: Summary Capital Markets Performance

Summary Capital Markets Performance

Index / Metric	Level at 9/30/24	Returns QoQ	2023 Annual	2022 Annual	2021 Annual	2020 Annual
Equity Markets						
S&P 500	5,762	5.5%	24.2%	(19.4%)	26.9%	16.3%
NASDAQ	18,189	2.6%	43.4%	(33.1%)	21.4%	43.6%
Russell 2000	2,230	8.9%	15.1%	(21.6%)	13.7%	18.4%
FTSE 100	8,237	0.9%	3.8%	0.9%	14.3%	(14.3%)
Other						
WTI ($/bbl)	$68	(16.4%)	(10.7%)	6.7%	55.0%	(20.5%)
Bitcoin	$63,785	6.1%	152.9%	(64.2%)	59.8%	305.1%
Ethereum	$2,614	(22.8%)	90.8%	(67.5%)	399.1%	475.5%
Credit Markets						
Bloomberg US HY Price Index	2,678	5.3%	13.4%	(11.2%)	5.3%	7.1%
CS Leveraged Loan Total Return	597	2.1%	13.0%	(1.1%)	5.4%	2.8%
Bloomberg US HY YTM	7.2%	-87 bps	-119 bps	-71 bps	413 bps	-10 bps
CS Leveraged Loan YTM	8.4%	-105 bps	-115 bps	NM	488 bps	30 bps
Treasuries						
2 Year Treasury Yield	3.64%	-111 bps	-18 bps	369 bps	61 bps	-145 bps
10 Year Treasury Yield	3.78%	-62 bps	NM	236 bps	60 bps	-100 bps
30 Year Treasury Yield	4.12%	-44 bps	7 bps	206 bps	26 bps	-74 bps

Equity markets continued to rise in 3Q24, with the S&P 500 and NASDAQ up 5.5% and 2.6% QoQ, Following the Fed's announcement of a half-point interest rate cut in late September, the S&P soared ~2% within one day to record highs

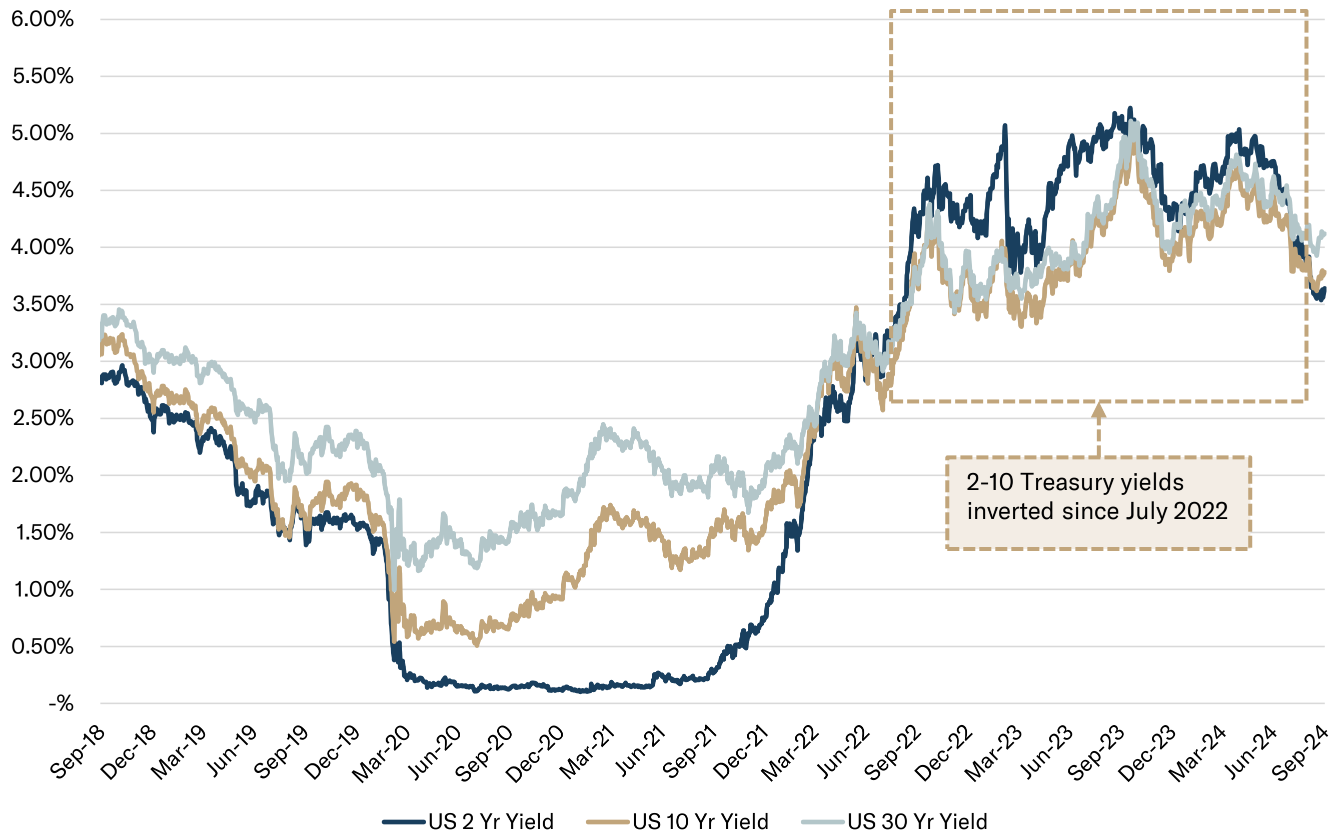
Recent improvements in macro inflation and labor market trends paired with the first fed rate reduction since March 2020 saw yields begin to depress across the treasury curve

Sources: Bloomberg

Macro Trends: Treasury Market Performance

US 2 / 10 / 30 Treasury Yield Over Time

	YTM as of:						
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23	9/30/24
US 2 Yr Yield	2.49%	1.57%	0.12%	0.73%	4.43%	4.25%	3.64%
US 10 Yr Yield	2.68%	1.92%	0.91%	1.51%	3.87%	3.88%	3.78%
US 30 Yr Yield	3.01%	2.39%	1.64%	1.90%	3.96%	4.03%	4.12%
Memo: 2 / 10 Yr Spread	0.20%	0.35%	0.79%	0.78%	(0.55%)	(0.37%)	0.14%



The 10-year treasury yield ended 3Q24 at 3.78%, declining 15% QoQ but in line with 2022 and 2023 year end levels

Two-year Treasury yields fell below 10-year Treasury yields, signaling an end to an extended period of inverted yield curve since July 2022

The recent inversion was the longest on record on the back of declining recession expectations, beating out the previous record of 624 days set in 1978

 Sources: Bloomberg

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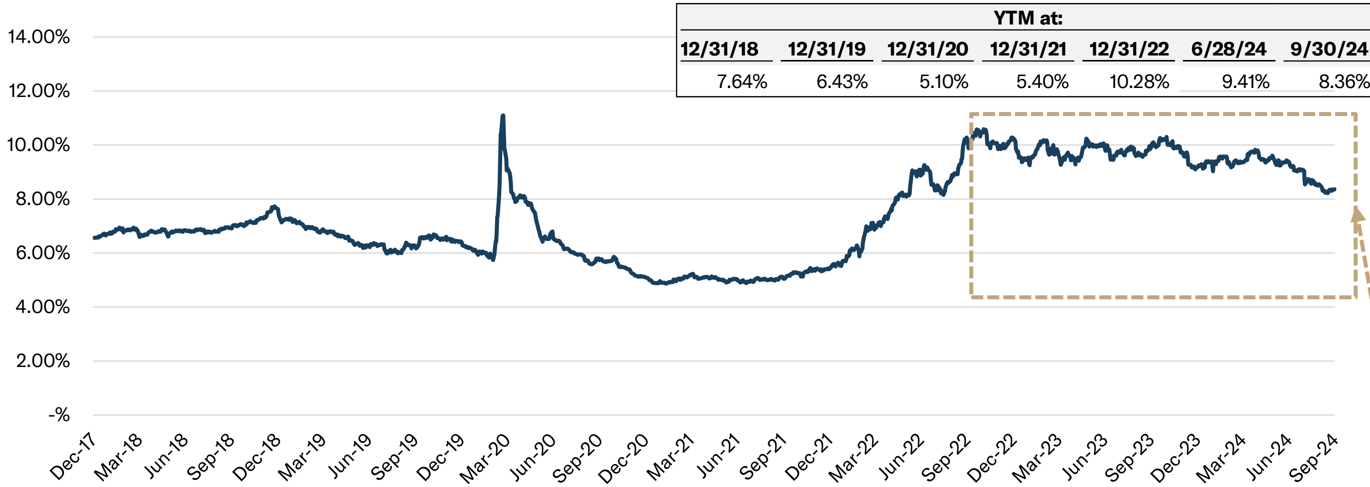
Macro Trends: Credit Market Yields

Credit Suisse Leveraged Loan Index YTM Over Time

YTM at:						
12/31/18	**12/31/19**	**12/31/20**	**12/31/21**	**12/31/22**	**6/28/24**	**9/30/24**
7.64%	6.43%	5.10%	5.40%	10.28%	9.41%	8.36%



Bloomberg US High Yield Index YTM Over Time

YTM at:						
12/31/18	**12/31/19**	**12/31/20**	**12/31/21**	**12/31/22**	**6/28/24**	**9/30/24**
8.00%	5.98%	4.97%	4.86%	8.99%	8.09%	7.22%

In 3Q24, leveraged loan YTM declined slightly QoQ. Similarly, HY YTM decreased by ~100bps QoQ. Both HY/LL YTM have come down since its peak in 2022

Post-Covid trend of sustained higher interest rates driven by persistently high inflation, although the recent reduction in inflation and the first Fed interest rate cut in 4+ years are driving recent fall in YTM

 Sources: Bloomberg

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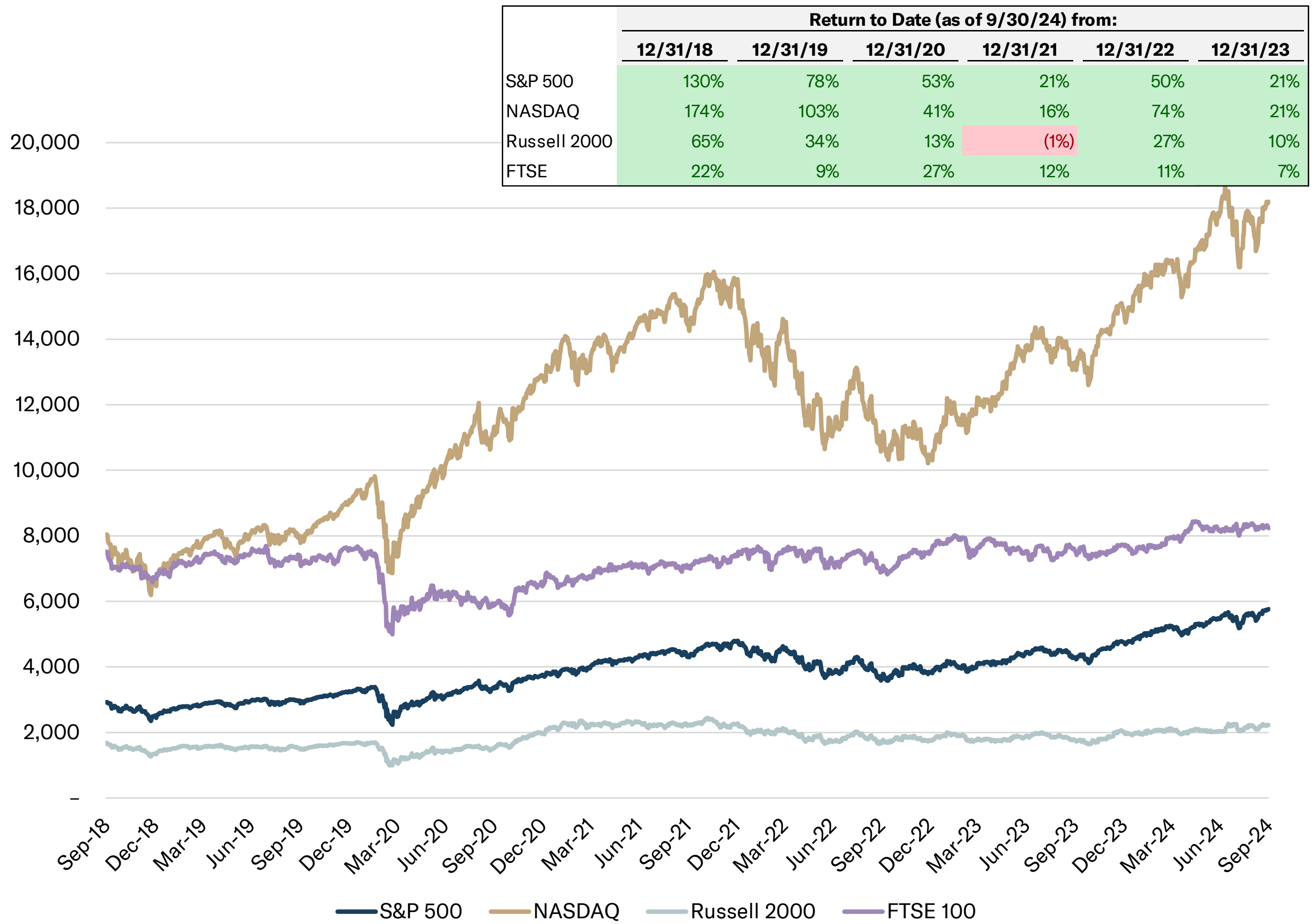
Macro Trends: Equity Markets Performance

Equity Markets Index Values Over Time

	Return to Date (as of 9/30/24) from:					
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
S&P 500	130%	78%	53%	21%	50%	21%
NASDAQ	174%	103%	41%	16%	74%	21%
Russell 2000	65%	34%	13%	(1%)	27%	10%
FTSE	22%	9%	27%	12%	11%	7%



3Q24 saw continued strong performance across the S&P and NASDAQ, with both indices up by ~21% YTD

The Technology sector was flat in Q3, while Utility outperformed all sectors with a ~19% gain, followed by Real Estate and Industrials with ~17% and ~12% gain respectively. The only sector to underperform in Q3 was Energy, but nevertheless stands at ~7% return YTD

 Sources: Bloomberg

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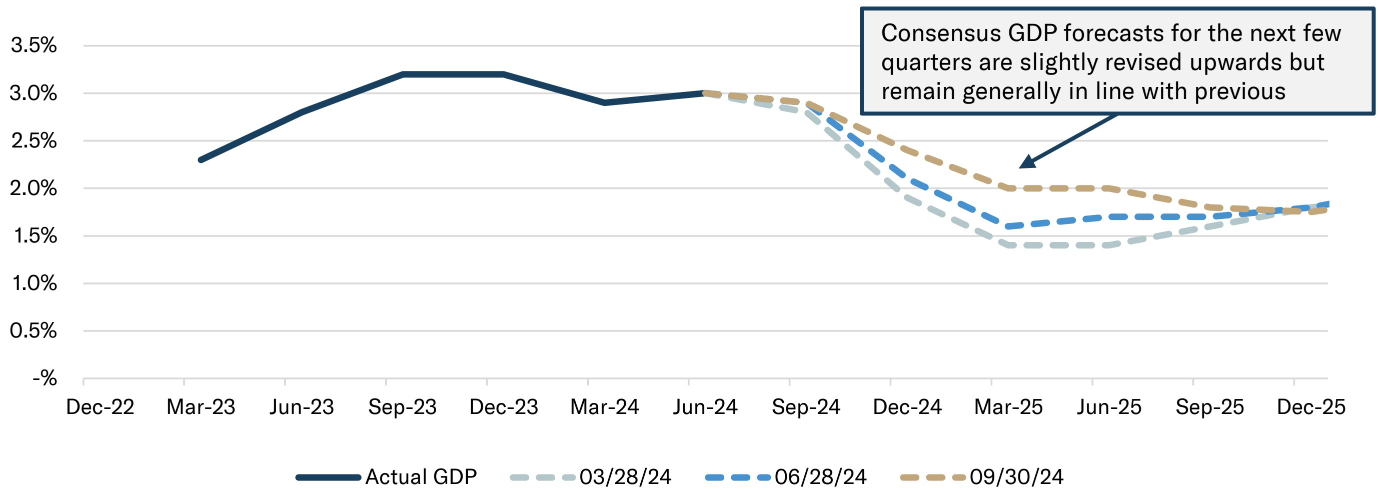
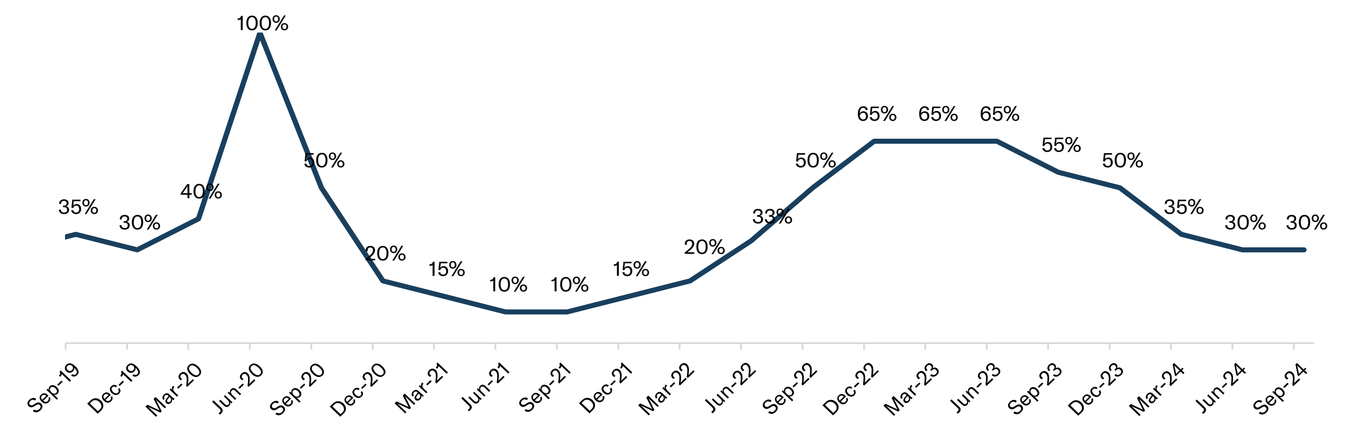
Macro Trends: GDP and Economic Expectations

US Real GDP (YoY Change %) – Historical and Consensus Estimate Curves



Consensus Probability of a Recession in Next 12 Months



3Q24 saw continued decline in consensus estimates for recession probability as economic data exhibits strong performance, with near-term forward GDP consensus estimates revised upwards

Consensus estimates for a recession ended 3Q at 30% like the previous quarter, reflecting growing optimism about the economy

Sources: Bloomberg

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Macro Trends: Cryptocurrency Markets Performance

	Return to Date (as of 9/30/24) from:				
	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
Bitcoin	791%	120%	38%	285%	52%
Ethereum	1935%	254%	(29%)	118%	14%

Cryptocurrency prices continued their rebound in 3Q24, generally maintaining gains achieved in 1Q24

Bitcoin Price Over Time

Ethereum Price Over Time

 Sources: Bloomberg

ii. Macro Trends: M&A and Investment Activity

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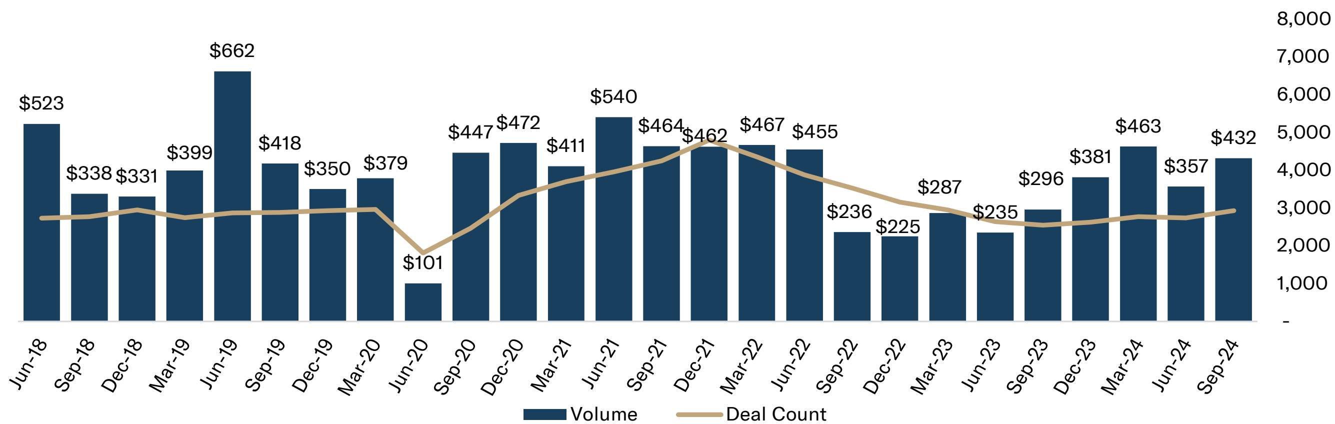
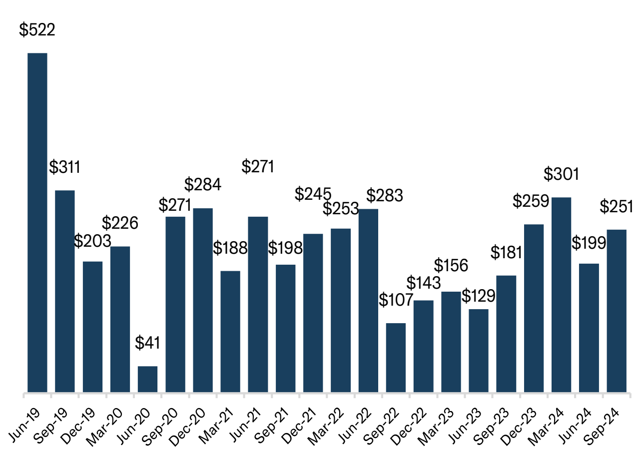
M&A Market Trends

($ billions unless otherwise noted)

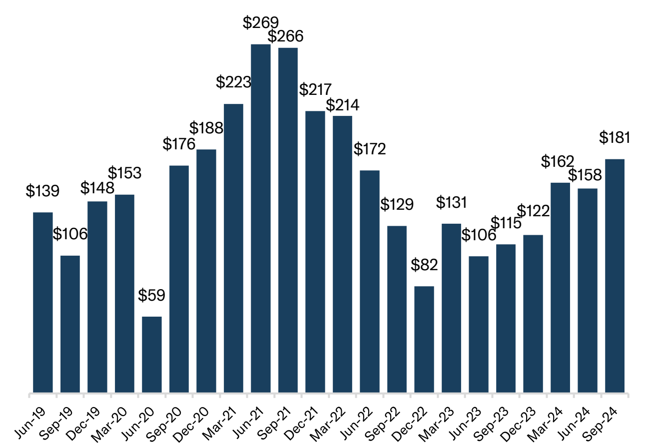
Quarterly U.S. Total M&A Deal Volume



Quarterly U.S. M&A Deal Value: Strategic



Quarterly U.S. M&A Deal Value: Sponsor



3Q24 saw M&A deal volume increase ~21% and deal count increase ~7% QoQ, as high historical debt borrowing costs are offset by stabilizing credit markets and improving economic outlook

Strategic deal activity saw a ~26% increase QoQ, and sponsor-backed M&A activity rose ~14% QoQ

Sources: Bloomberg

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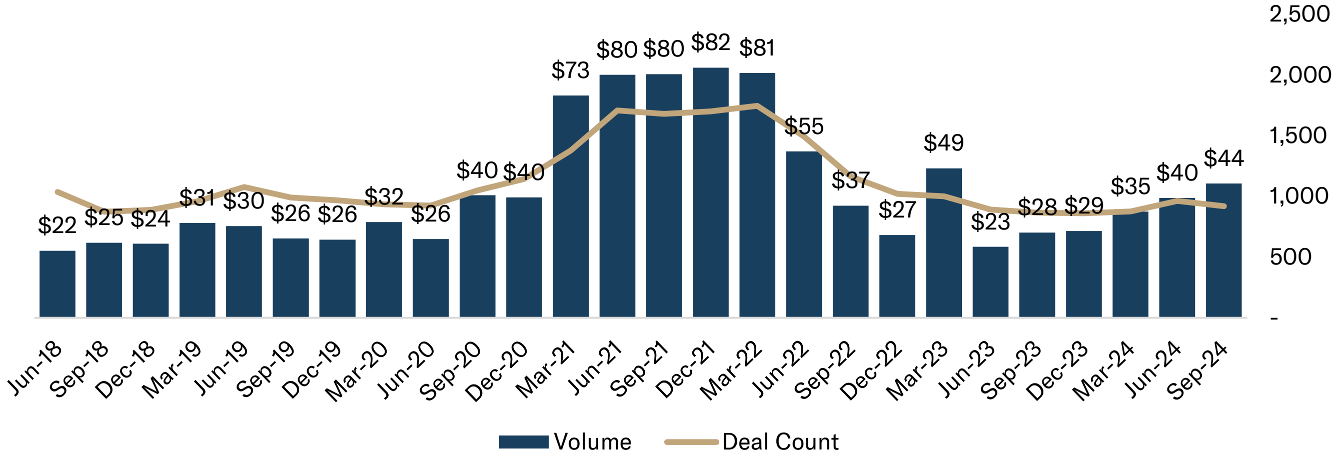
Macro Trends: Venture Capital Market Trends

($ billions)

Quarterly US Total Venture Capital Deal Value and Deal Count



Refinitiv US Venture Capital Index

	Return to Date (as of 9/30/24) from:					
	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22	12/31/23
VC Index	168%	74%	4%	(16%)	87%	20%

VC deal count declined ~5% QoQ. However, deal volume continues its sequential rise since trough 2Q23 levels, after record VC performance from 2020-1H22

 Sources: Bloomberg, Refinitiv

iii. Macro Trends: Fund Flows and New Issue Markets

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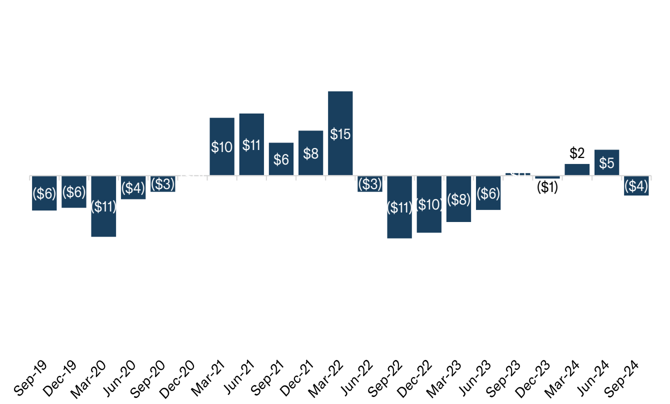
Macro Trends: Capital Markets Fund Flows

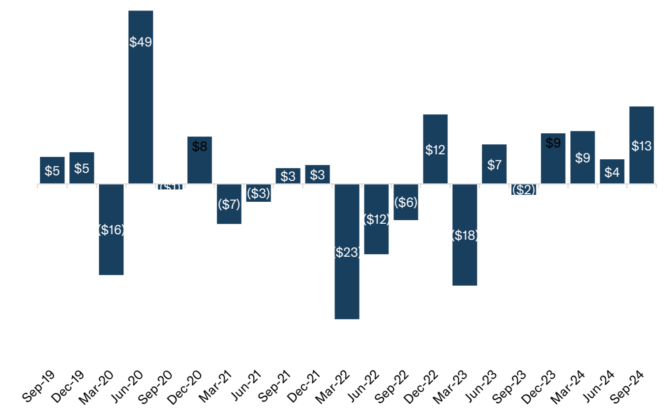
Quarterly US Leveraged Loan Fund Flows

($ in billions)



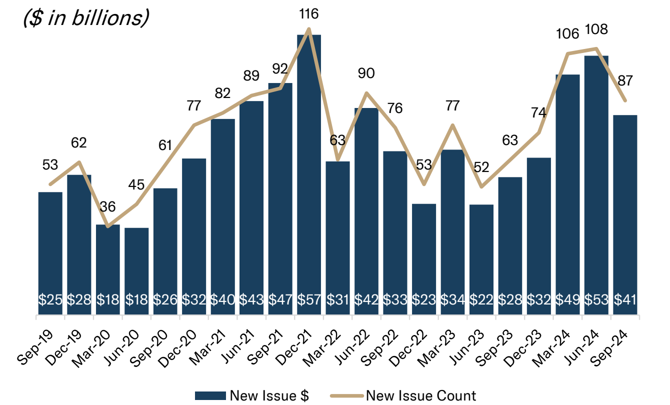
Quarterly US High Yield Fund Flows

($ in billions)



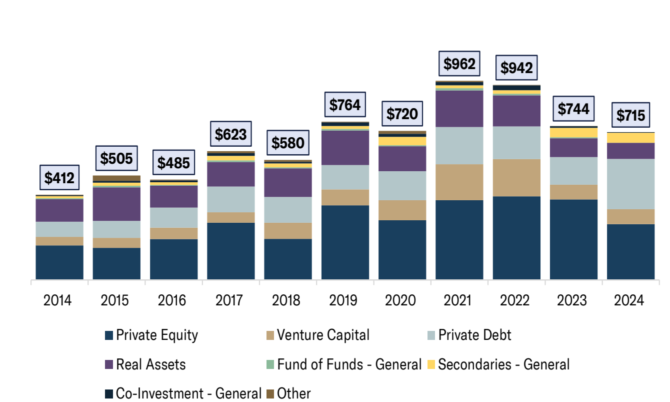
Quarterly US CLO Issuance

($ in billions)



Annual US Private Capital Raised

($ in billions)



In 3Q24, HY fund flows experienced the highest level since 2Q20, while Leveraged Loan Funds reported more outflow

CLO issuance declined from the significant rebound from earlier this year

Private capital raised is on track to pass 2023 levels, with YTD capital raised already at 96% that of FY23 and growth primarily driven by private debt and private equity

 Sources: Bloomberg, LCD Comps, Pitchbook

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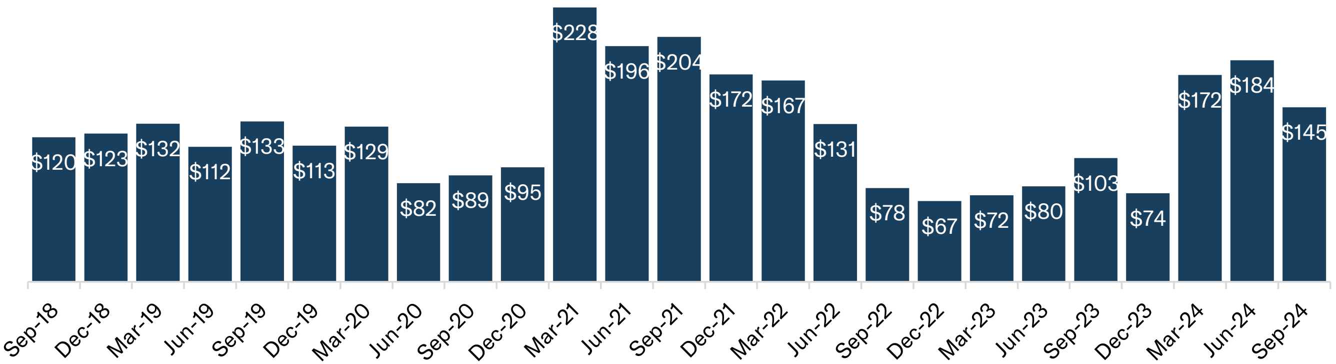
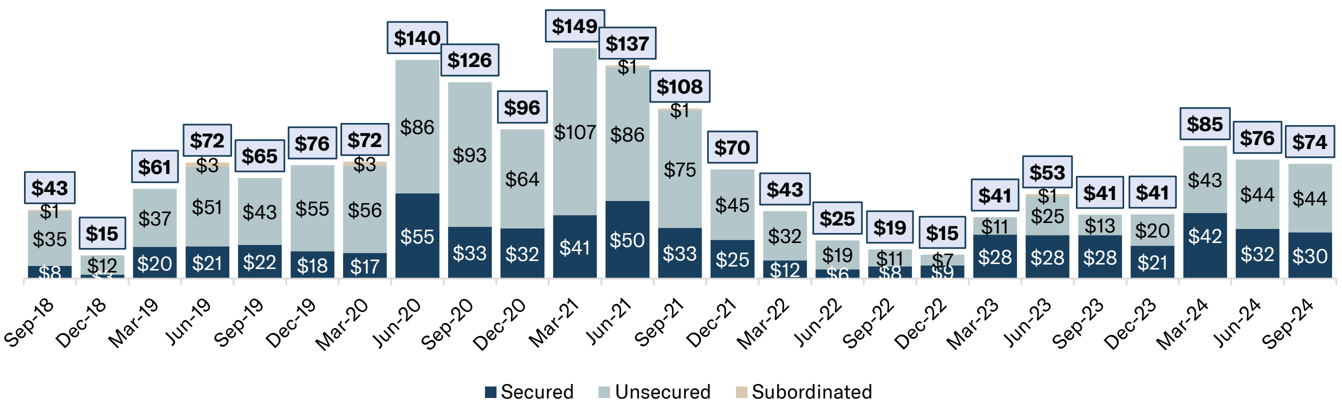
Macro Trends: Credit Market New Issuances

($ in billions)

Quarterly US Leveraged Loan New Issuances



Quarterly US High Yield New Issuances



New issuance markets declined in 3Q24, particularly in the leveraged loan market as interest rate remains higher than expected. 3Q24 leverage loan new issuance levels still remain well above 2023 activities

3Q24 new issuance in HY market is slightly below 2Q24 but remain well above historical levels since 3Q21. YTD 2024 High Yield new issuances has already surpassed the full year of 2023 by ~74%

 Sources: LCD Comps

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iv. Macro Trends: Distressed Opportunity Indicators

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Macro Trends: Credit Rating Agency Activity

Summary Credit Rating Agency Activity

	Moody's			S&P Global Ratings		
	Upgrade Count	Downgrade Count	Upgrade / Downgrade Ratio	Upgrade Count	Downgrade Count	Upgrade / Downgrade Ratio
Quarter Ending						
Sep 2024	97	74	1.3x	109	91	1.2x
Jun 2024	98	89	1.1x	158	112	1.4x
Mar 2024	113	104	1.1x	107	141	0.8x
Dec 2023	67	146	0.5x	94	126	0.7x
Sep 2023	87	96	0.9x	117	149	0.8x
Jun 2023	82	127	0.6x	110	160	0.7x
Mar 2023	85	120	0.7x	100	170	0.6x
Dec 2022	62	138	0.4x	77	157	0.5x
Year Ending						
Dec 2023	321	489	0.7x	421	605	0.7x
Dec 2022	427	355	1.2x	458	414	1.1x
Dec 2021	650	188	3.5x	642	328	2.0x
Dec 2020	313	865	0.4x	332	1,311	0.3x

Current Quarter Notable Downgrades

Naked

LUMEN

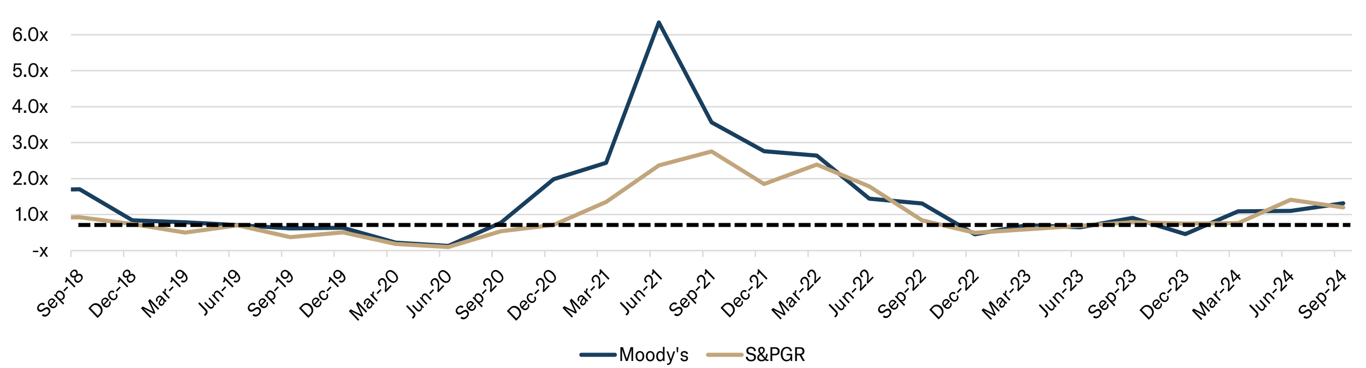
dish NETWORK

Lipton

gray

Walgreens

Quarterly US Upgrades to Downgrades Ratio



In 3Q24 Moody's and S&P both continued to announce more upgrades than downgrades, significantly recovering from 4Q22-4Q23 levels

Downgrades this quarter are driven by the consumer and media & entertainment industry due to ongoing margin pressures, upcoming maturity walls, and softened demand

Sources: S&P, Moody's**,** Bloomberg (includes U.S., long term issuer ratings changes)

Macro Trends: Distressed Sector Trading Summary

- The below details a sector summary of Ducera's distressed debt company tracker – the table below reflects a summary by sector of all identified bonds & loans with trading prices < 85c, yielding > 15%, and with ≥ $100mm outstanding

($ in US millions)

	Debt Securities[1]								Net Change			
				Trading Price (Weighted Avg.)								
Sector	**Amt. Out ($m)**	**Current YTM (%)**	**Current STM (%)**	**Current (9/30)**	**Prior Day (9/27)**	**Prior Wk. (9/23)**	**Prior Mo. (8/30)**	**Quarter End (06/31)**	**1 Day Δ**	**1 Wk. Δ**	**1 Mo. Δ**	**QTD Δ**
Telecommunications	$30,233	26.8	23.8	60.3	60.3	59.1	54.3	45.0	0.0	1.2	6.0	15.3
Software and Consulting	23,916	42.9	43.7	46.9	47.2	47.6	48.3	35.8	(0.3)	(0.8)	(1.4)	11.0
Healthcare Services	14,939	41.1	28.1	59.8	59.8	59.9	61.0	56.3	0.0	(0.1)	(1.2)	3.6
Industrial Services	7,748	41.2	35.9	57.3	55.6	55.7	53.7	64.5	1.7	1.6	3.5	(7.3)
Media and Publishing Services	7,592	176.2	149.1	57.8	57.9	58.0	53.7	59.8	(0.0)	(0.2)	4.1	(2.0)
Business Services	6,209	29.1	25.3	64.4	64.5	64.3	62.8	39.1	(0.2)	0.1	1.6	25.3
Consumer Retail	5,684	21.0	18.8	70.0	70.8	70.9	69.8	77.3	(0.8)	(0.9)	0.2	(7.4)
Manufactured Products	5,004	72.5	66.1	59.8	59.0	59.4	55.7	63.4	0.8	0.4	4.1	(3.7)
Industrial Manufacturing	4,668	42.1	36.6	53.6	53.5	53.5	54.7	43.6	0.1	0.1	(1.1)	10.0
Investment Services	4,370	33.0	27.7	69.9	69.9	70.4	71.1	62.9	(0.0)	(0.4)	(1.1)	7.0
Biopharmaceuticals	4,098	19.2	15.5	63.1	63.1	63.3	55.9	45.0	0.0	(0.2)	7.3	18.1
Food and Tobacco Production	3,837	37.7	33.3	70.4	70.5	70.1	69.8	55.5	(0.1)	0.3	0.6	14.9
Miscellaneous Retail	3,646	25.5	22.1	70.8	70.7	68.6	68.9	29.6	0.1	2.2	1.9	41.2
Electronic Components and Manufacturing	3,315	24.9	22.7	47.8	47.1	44.9	48.0	59.3	0.7	2.9	(0.2)	(11.5)
Upstream Energy	2,912	54.6	59.0	48.1	48.0	48.3	47.2	51.7	0.1	(0.2)	0.9	(3.6)
Food and Staples Retail	2,895	44.3	38.5	58.5	58.5	58.4	57.0	36.5	0.0	0.2	1.6	22.0
Hospitality Services	2,821	131.5	125.1	44.4	44.3	43.9	43.6	48.4	0.1	0.5	0.7	(4.0)
Utilities	2,341	58.9	53.6	57.2	57.0	56.7	56.8	51.5	0.2	0.5	0.4	5.7
Consumer Vehicles and Parts	2,204	20.9	17.1	66.8	66.9	66.8	68.0	46.7	(0.1)	(0.1)	(1.2)	20.1
Mining and Mineral Products	1,225	19.8	18.3	74.7	74.9	74.5	74.9	53.5	(0.2)	0.2	(0.2)	21.2
Corporate or Other Unallocated Revenue	1,150	21.8	18.2	69.2	69.1	69.4	70.1	31.3	0.1	(0.2)	(0.9)	37.9
Consumer Non-Durables	1,107	66.5	82.2	41.9	41.9	41.8	41.8	44.2	(0.0)	0.2	0.1	(2.2)
Healthcare Equipment	990	156.4	163.9	38.5	37.5	37.5	37.2	14.1	1.0	1.0	1.2	24.4
Consumer Goods	922	19.3	16.7	71.3	71.1	69.0	64.6	78.7	0.2	2.3	6.7	(7.4)
Chemical, Plastic and Rubber Materials	902	45.6	42.3	57.4	56.9	56.8	55.9	47.7	0.5	0.6	1.5	9.8
Real Estate	788	333.2	278.6	68.2	67.8	68.0	67.2	72.2	0.3	0.1	1.0	(4.0)
Downstream and Midstream Energy	750	16.8	13.5	75.5	75.1	74.3	83.8	99.6	0.4	1.2	(8.3)	(24.1)
Specialty Finance and Services	687	63.9	62.0	53.8	53.9	54.5	54.2	50.2	(0.1)	(0.8)	(0.4)	3.6
Household Products	595	27.0	23.3	60.2	60.2	60.4	72.2	75.3	–	(0.2)	(12.0)	(15.1)
Insurance	550	32.3	28.0	50.7	51.7	53.0	52.5	62.8	(1.1)	(2.3)	(1.8)	(12.1)
Consumer Durables	452	17.4	14.7	79.7	79.7	79.6	74.3	25.1	–	0.1	5.4	54.6
Hardware	333	64.8	63.6	24.4	24.4	26.0	26.0	40.0	–	(1.6)	(1.6)	(15.6)
Financially Operative Institutions	319	65.0	60.3	69.3	69.3	69.3	69.3	69.3	–	–	–	–
Household Services	200	89.1	85.2	16.5	17.5	17.5	17.5	14.0	(1.0)	(1.0)	(1.0)	2.5
Total	**$149,404**	**454.2**	**42.5**	**58.1**	**58.1**	**57.8**	**56.5**	**49.4**	**0.1**	**0.3**	**1.7**	**8.7**

Sources: S&P Global Market Intelligence, FactSet

(1) Based on securities identified from screen, as opposed to total capital structure

II. Ducera Updates

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Ducera Updates: Select Recent Transactions

Advisor to the Ad Hoc Group of Noteholders of Maxeon Solar in Connection with the Global Resolution

maxeon

Restructuring / Liability Management

- In June 2024, Maxeon Solar Technologies, Ltd. (“Maxeon”), a publicly traded solar technology company (NASDAQ: MAXN), completed a consensual liability management exchange and new money transaction (the "Global Resolution")
  - At signing, part of the new equity financing was subject to approval by the Committee on Foreign Investments in the United States (“CFIUS”)
  - Maxeon received CFIUS approval in August 2024, clearing the way for the equitization and exchange offer portions of the Global Resolution
- The transactions provided Maxeon with near-term liquidity relief, new financing, debt maturities extension, and a de-levered capital structure
- Ducera Partners advised an Ad Hoc Group of Maxeon convertible bondholders holding ~99% of its Green Convertible Notes due 2025 (“SUNs”) in connection with the Global Resolution. Ducera negotiated a consensual transaction with Maxeon and TCL Zhonghuan Renewable Energy Technology Co Ltd. (“TZE”), a publicly traded Chinese semiconductor manufacturer (SHE: 002129) that was a key shareholder and first lien lender
- The transactions involved the below key components:
  - TZE New Money: TZE to fund (i) $100mm PIPE investment (made upon CFIUS approval) and (ii) $97.5mm new Super-Senior Secured Notes
  - SUNs Exchange: Ad Hoc Group exchanged into bespoke instrument – new $198.5mm Second Lien Convertible Notes – and warrants for 9.925% fully diluted ownership if diluted below 30.0% ownership by TZE PIPE investment
    - $139.0mm Tranche A 2L Convertible Notes convertible into 69% of pre-PIPE equity at (i) holders’ option starting on first trading day post-exchange, or (ii) issuer’s option upon PIPE funding
    - $65.1mm (incl. accrued) Tranche B 2L Convertible Notes voluntarily convertible by holders starting on first trading day post-exchange
    - The PIPE ultimately diluted the SUNs below 30%, resulting in the issuance of warrants for 9.925% of Maxeon’s fully diluted ownership

Advisor to the California Public Utilities Commission in connection to PG&E’s AB1054-III issuance

California Public Utilities Commission

Financing

- Ducera advised the California Public Utilities Commission (“CPUC”) Finance Team on the structuring, marketing, and pricing of Pacific Gas and Electric Company’s (“PG&E” or the “Issuer”) $1.4 billion Securitized Utility Tariff Bonds (the “Bonds”), issued on August 1, 2024
  - It was issued under California law AB1054, requiring investments in wildfire mitigation and creating a $21bn fund for future wildfire liabilities
  - The Bonds were PG&E’s third issuance under AB1054, following issuances of $983mm in November 2022 and $860mm in November 2021
  - This issuance represents the largest utility securitization completed in 2024

Advisor to Indaba Capital Management in connection with SIRVA’s consensual out-of-court recapitalization

sirva

Restructuring

- In August 2024, SIRVA announced that it had completed a consensual out-of-court transaction to recapitalize its balance sheet
- The transaction received nearly unanimous support from all pre-transaction lenders, including bank lenders, 1L lenders, 2L lenders, and sponsors
- Among other things, the transaction reduced SIRVA’s total debt by >$300 million and transitioned ownership to its pre-restructuring 1L and 2L lenders (led by Indaba, KKR, Evolution, and Blackrock)
  - Total Debt and Preferred Equity (pre-transaction, excluding non-recourse SPV debt): ~$950mm
  - Post-transaction TEV: ~$750mm

Ducera Growth Ventures Updates: Select Recent Transactions

Investor in Micropep's $40mm Series B in connection with DGV-Corteva Strategic Collaboration

Growth Investing

- Ducera Growth Ventures ("DGV"), in connection with the DGV-Corteva (NYSE: CTVA) Strategic Collaboration, participated in the $40 million Series B financing for Micropep Technologies ("Micropep"), a micropeptide crop protection company with operations in France and the US
  - Micropep has developed a proprietary AI-powered discovery platform for micropeptides, which are short protein molecules naturally produced by plant cells and have an infinite number of applications
- Series B had additional participation from Zebra Impact Ventures, BPI Green Tech, Sparkfood SA, and others, and brought Micropep's aggregate funding raised to over $60 million
- The capital will propel ongoing support for Micropep's pipeline of sustainable micropeptide solutions via its proprietary discovery platform, Krisalix, which develops affordable, effective crop protection solutions via micropeptide active ingredients
  - Krisalix discovers new micropeptide molecules for more efficient and environmentally friendly crop protection compared to traditional industry methods – the platform measures efficiency, stability, and production feasibility by combining proprietary micropeptide design algorithms with a unique suite of bioassays
- The funding will also accelerate Micropep's go-to-market strategy through partnerships and allow for the completion of its regulatory studies of its first biofungicide molecule
  - Given micropeptides' abilities to combine new modes of action, have a great safety profile, and offer strong efficacy in the field at an affordable cost to farmers, Micropep is positioned to offer an entirely new category of sustainable crop protection active ingredients while working collaboratively with select partners throughout different stages of the product development lifecycle

Investor in Solasta's $14mm Series A in connection with DGV-Corteva Strategic Collaboration

Growth Investing

- DGV, in connection with the DGV-Corteva Strategic Collaboration, participated in Solasta Bio's ("Solasta") $14 million Series A financing in conjunction with Corteva Catalyst on its participation as Co-Lead in the round
  - Other investors included Forbion (Lead), FMC Ventures (Co-Lead), and existing investors
- Proceeds from the round will be used to accelerate the development of Solasta's unique peptide-based, nature-inspired bioinsecticides, following on a successful 2023 trials season in which Solasta's insect control agents demonstrated efficacy across 20+ field trials on multiple crops in Europe, the UK, and US
  - Solasta is targeting market entry as early as 2027 – which is at least half the time traditionally taken by synthetic pest control products – demonstrating a significant advantage of its platform technology
- In addition to continuing to advance its technology platform and pipeline of insect control agents, Solasta (which is based in Glasgow, Scotland) will continue to build out its US operations, having already established a base in North Carolina
  - This will help expand Solasta's field trials across key geographies, scale-up its biomanufacturing capabilities, and further develop strategic opportunities including applications beyond crop use

III. Ducera Partners Overview

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Ducera Partners Overview

As business owners ourselves, our clients know that we advise from a place of insight and action. Nothing is theoretical—we know because we've been there.

Strategic Advisory and M&A

Ducera advises clients in a variety of complex and transformative transactions.
Our professionals, with roots in complex corporate finance, offer independent advice to stakeholders in a broad range of situations.

Restructuring

Ducera provides clients with leading-edge capital structure and restructuring advice.
We have pioneered a number of the most innovative transactions in various industries in transition. Both in and out of court, our team's highly collaborative approach is unparalleled.

Ducera

We are the ones top decision-makers seek out

Liability Management

Ducera advises clients on liability management transactions related to companies' capital structures and other off balance sheet liabilities.
We develop creative transaction structures that proactively address stressed balance sheets, the need for growth capital, and are value maximizing.

Capital Markets Advisory

Ducera advises companies as they navigate the complexities of the capital markets.
Clients rely on our depth of experience to fully assess all available options. We tap into our vast network to help clients efficiently achieve their objectives. Years of experience and global connectivity make us a preferred choice for clients' capital solutions.

Our Story

100% ***Partner-Owned***

100% ***Conflict Free***

30 ***Years of Legacy***

$850 billion+
Deal Volume

Evolution

Ducera Partners was founded in June 2015, but our leadership team has been working together for **nearly three decades**.

Led by Michael Kramer, an industry veteran and well-known pioneer in the restructuring and investment banking business, we are proud of our evolution, which includes a strong growth trajectory as our team and client relationships have grown.

Legacy

After decades of working closely together, Ducera Partners is the culmination of all that we have achieved to date.

Ducera is our legacy. As professionals, we are united by strong beliefs and aligned in our **client-centric philosophy**. We are **forward-thinking, driven, and fearless**. Above all, we pledge to be great partners to each other, clients, and fellow professionals.

Ducera Partners Principles

For nearly three decades, our leadership team has been advising on many of the most relevant corporate finance transactions in the industry. We are known for developing and maintaining close relationships with decision makers because of the results we provide and the business principles our senior leadership follows.

Client-Centric

We always put our **clients' interest first**; our success is directly aligned with the success of our clients.

Authentic

As business owners ourselves, our clients know that we advise from a place of **insight** and **action**. Nothing is theoretical – we know because we have been there.

Bold

We bring **strength** and **experience** in the face of difficult and transformational events. When times are the toughest, we are fully prepared so our clients can move ahead with confidence

Trusted

The relationships that we have with our clients are integral to our work; **advice** and **trust** go hand in hand.

Agile

We consider all variables, playing out multiple scenarios simultaneously, to design the best **solution** for our clients. We don't accept the status quo or the easier path.

Simplification

We do the heavy lifting so our clients don't have to worry; we **simplify** the complex.

Cary Street Partners Strategic Partnership

CARY STREET PARTNERS

- Cary Street Partners is a leading independent wealth manager that offers a comprehensive suite of services to its clients
- Ducera invested in, and entered a strategic partnership with, Cary Street in 2019

Offering Advisors

- Independence
- Ownership Opportunity
- Open Architecture
- Entrepreneurial Environment
- Multi-Custodian Platform
- Industry-Leading Technology
- Transition Support
- Marketing Resources
- A Partnership Culture

Headquarters: Richmond, Virginia

Founded in 2002

Independent research and economic insights

Hybrid RIA

70+ Financial Advisors

https://carystreetpartners.com/

Joseph R. Schmuckler, CEO
Thomas O. Herrick, Chief Market Strategist

Comprehensive Wealth Management

- Financial Planning
- Investment Management
- Research & Portfolio Advisory Services
- Data Aggregation
- Estate & Life Insurance Strategies
- Performance Reporting
- Corporate Benefits & Retirement Planning Services

Diversified Model-Based Asset Management Offering

18 Offices across the southern & mid-Atlantic regions

Sources: Cary Street Investor Presentation, Company Website
(1) Across all subsidiaries

Quannix Strategic Partnership

- Ducera's proprietary Quannix algorithm screens and compiles various proprietary online indicators to understand companies' current growth performance
- Ducera entered a strategic partnership with Quannix owner Growth Science in 2017

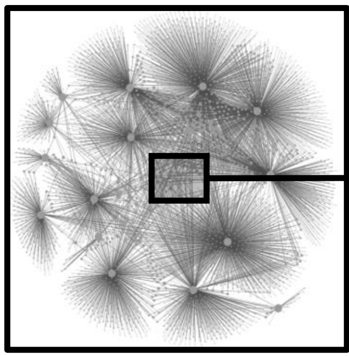
Quannix Overview

Quannix has digitized traditional Disruption Theory into a continuous learning model and has shown the ability to be very accurate across most industries and at all stages of a company's life cycle.

- Quannix is a highly sophisticated computing system that relies on decades of experience and tens of millions of dollars of investment
- Quannix adheres to classic disruption and competitive threat regression analyses, by applying artificial intelligence and data science, to substantially increase the odds of identifying those companies with the highest probability of succeeding
- In addition to predicting a company's survival rates, Quannix also simultaneously increased the odds of avoiding companies that are most likely to fail
- Quannix mines and combines proprietary internet indicators to estimate the valuations of private companies
- The data used does not include traditional financial, revenue, or last-round valuations because such metrics are often unavailable or unreliable in private markets
- Through ongoing training on random samples from more than 1,000 publicly held companies, Quannix uses ensemble modeling to estimate the valuations of private businesses using the most accurate models that succeed in predicting public valuations
- The ensemble methods use > 1,000 diverse learning algorithms (rather than a single model) to obtain better predictive performance than could be obtained from any of the constituent learning algorithms alone

Quannix Strategic Partnership: Sample Quannix Output

WHAT SOLUTIONS COMPRISE THE “MARKET”?



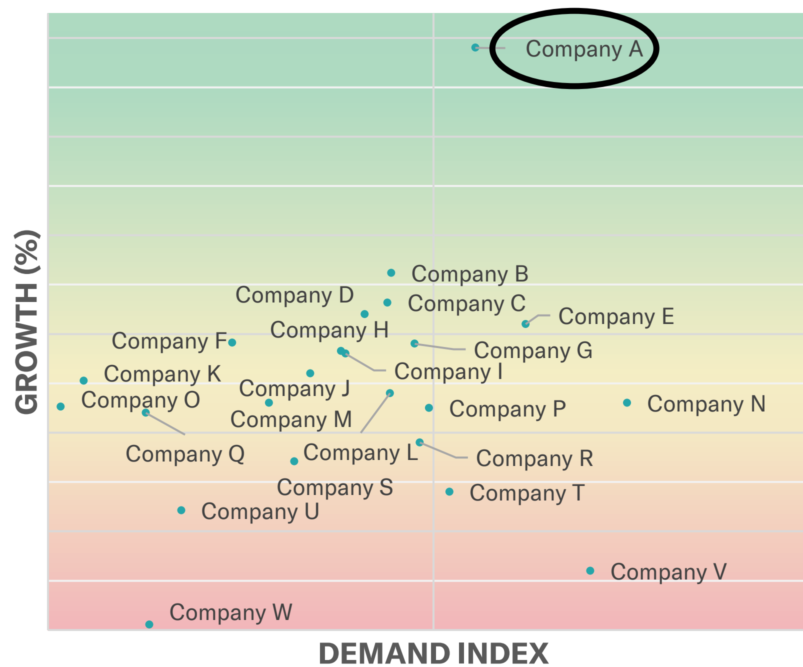
WHO IS OPERATING WITHIN THE MARKET

DEMAND INDEX

AGGREGATE SIGNALS OF MARKET DEMAND THAT ARE USED TO ESTIMATE A TARGET’S VALUATION

GROWTH (%)

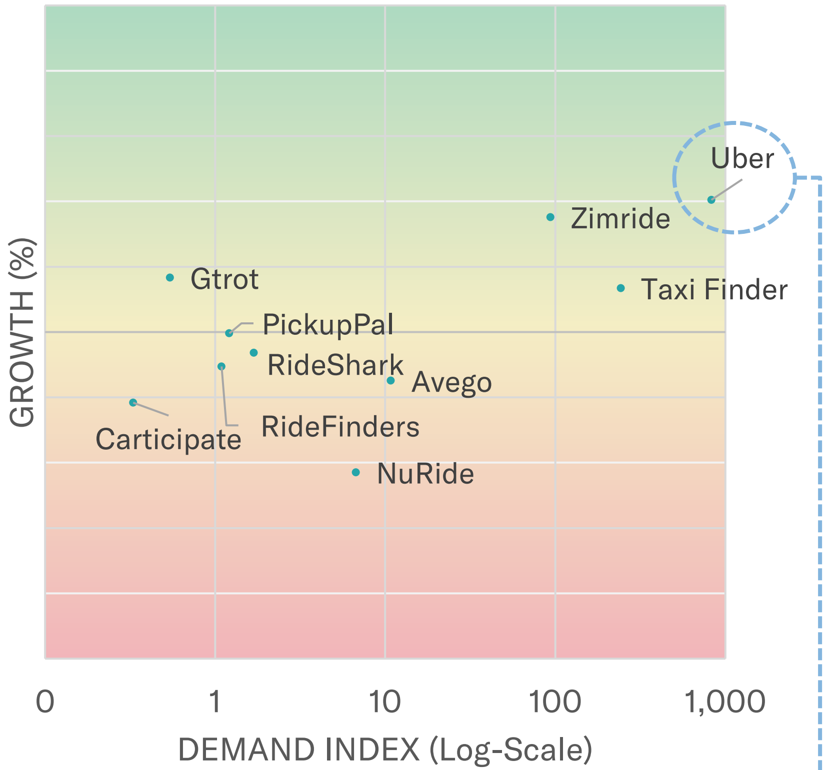
PROPRIETARY MEASURE OF CHANGE IN CUSTOMER TRACTION IN THE TARGET MARKET, CORRELATED WITH CUSTOMER ADOPTION, AND VALUATION



Ducera

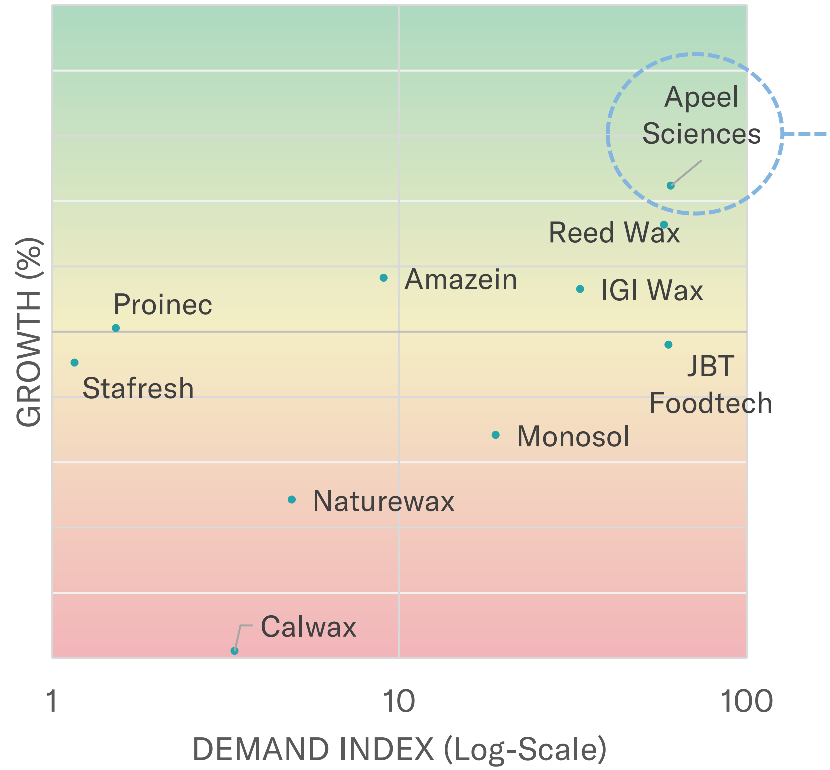
Quannix Strategic Partnership: Historical Quannix Case Study

Ridesharing (As of 2011[1])



- Identified as the market leader in 2011 when it had only raised $1.5m in a seed round
- Valued at $112 billion by 2021
- Consumer smartphone app

Fruit & Vegetable Coatings (As of June 2015[1])



- Identified in 2015 when valued at $5.08m in a seed round
- Valued at $2.4 billion by 2021
- B2B material science / agritech

Notes:
(1) Actual Quannix output from specified date

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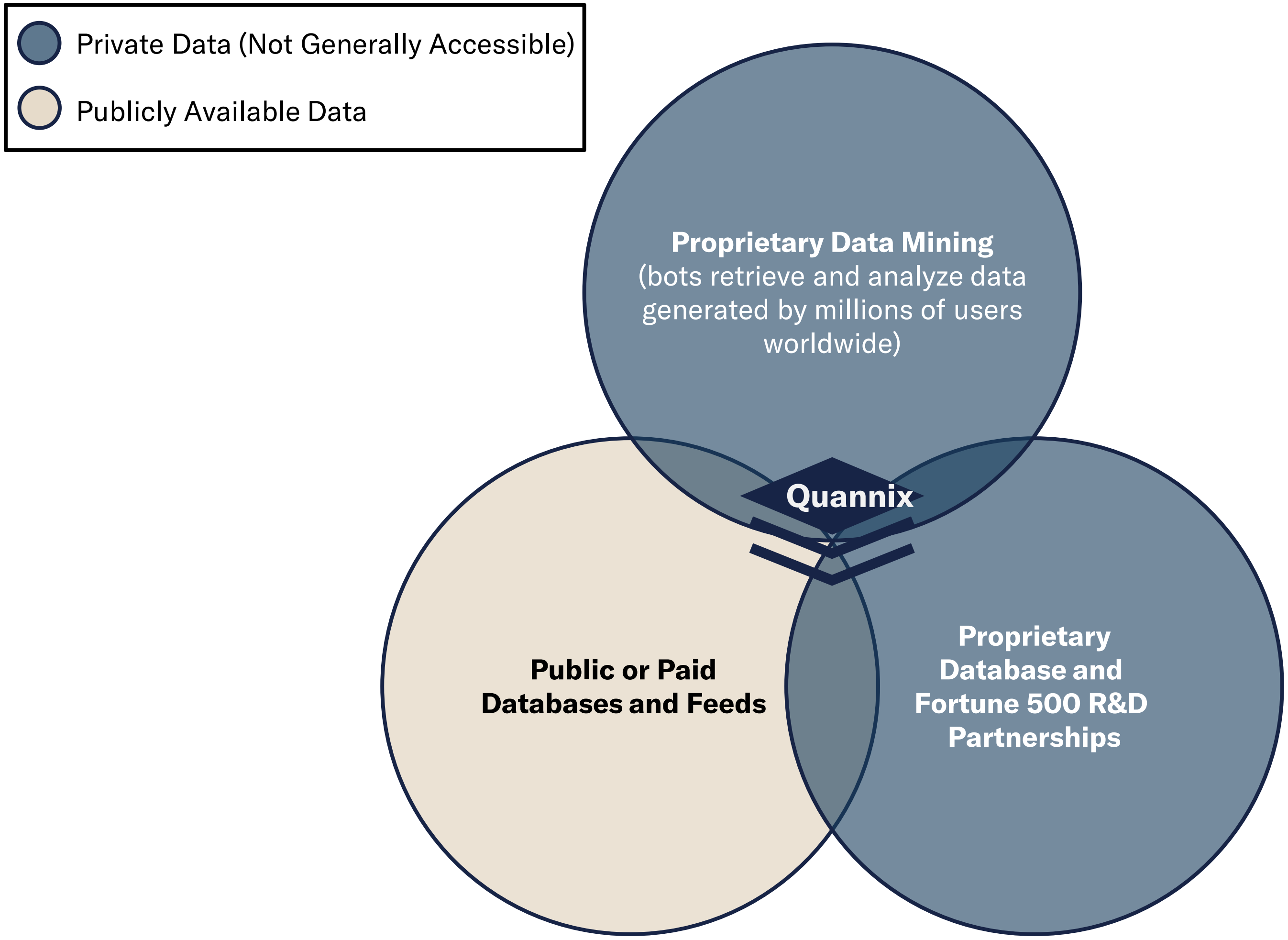
Quannix Strategic Partnership: Quannix Data Source Examples



Cary Street Partners Footnotes

All market performance figures are sourced from Bloomberg

Comparative Index Descriptions: Historical performance results for investment indices have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings do or will correspond directly to any comparative indices. **An investor cannot invest directly in the indices shown, and accurate mirroring of the indices is not possible.**

The Bloomberg Barclays US Aggregate Bond Index (US Agg Bond) is a market capitalization weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most US traded investment grade bonds are represented. Municipal bonds and Treasury Inflation-Protected Securities are excluded, due to tax treatment issues. The index includes Treasury securities, Government agency bonds, mortgage-backed bonds, corporate bonds, and a small number of foreign bonds traded in the US

The Russell 1000® Index measures the performance of the large-cap segment of the US equity universe. It includes approximately 1,000 largest US stocks, representing 93% of investable US equities by market capitalization.

The Russell 2000® Index is a capitalization-weighted index designed to measure the performance of a market consisting of the 2,000 smallest publicly traded U.S. companies (in terms of market capitalization) that are included in the Russell 3000® Index.

The Standard & Poor's (S&P) 500 Index is an index of 500 stocks seen as a leading indicator of U.S. equities and a reflection of the performance of the large cap universe, made up of companies selected by economists. The S&P 500 is a market value weighted index and one of the common benchmarks for the U.S. stock market.

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