

Debt Capital Markets News

June 2014



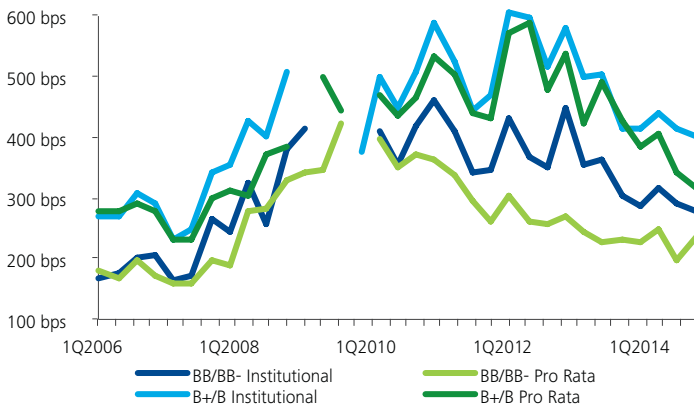
Debt capital markets news

June 2014

Leveraged loan pricing continues to decline

- Leveraged loan pricing is approaching pre credit crisis levels for both institutional and pro-rata loans. After a small up-tick in pricing in the third quarter of last year, pricing continued to decline, a trend that has continued since the aftermath of the 2012 sovereign debt downgrade.
- Many institutional investors are pricing loans more aggressively as they are seeking to compete with pro-rata lenders who continue to offer very favorable rates to qualified borrowers.

Libor spreads of institutional and pro rata leveraged loans

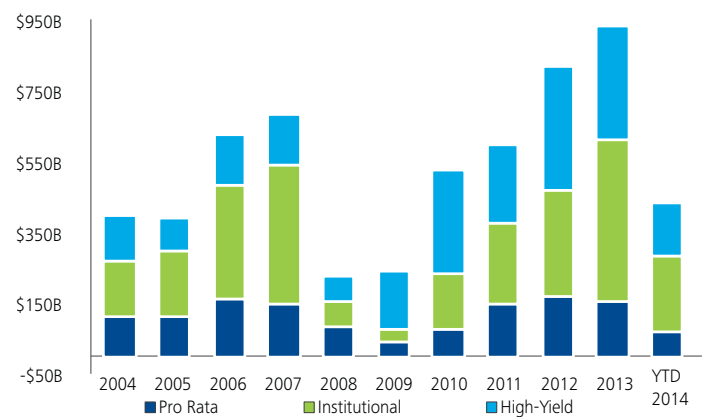


Source: S&P Leveraged Commentary and Data

High-yield market slows

- High-yield volume was low in the first quarter of 2014, with \$72.8 billion, just barely exceeding the fourth quarter's 15-month low of \$68.6 billion.
- As a percent of total leveraged finance volume, high-yield bonds decreased to a five-year low of 31% in Q1 2014, compared to 35% during the final three months of 2013.
- Total leveraged finance volume as of the beginning of June 2014 has achieved around 50% of 2013's total volume.

Leveraged finance volume — bank debt and bonds

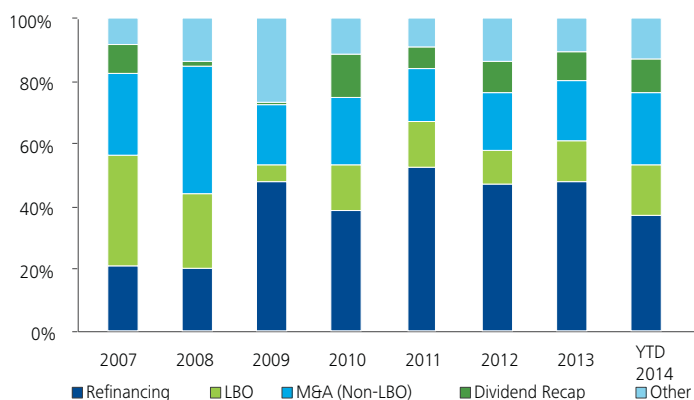


Source: S&P Leveraged Commentary and Data

Robust M&A and recapitalization activity lifts loan volume

- Leveraged loan volume rose to \$161.8 billion during the first quarter of 2014 from a 15-month low of \$126.7 billion in Q4 2013.
- New-issue activity was down 12.4% overall compared to the refinancing-heavy first quarter of 2013.
- Dividend recap transactions remain popular amongst shareholders wishing to take chips off the table in lieu of an M&A sale.

New issue leveraged loan volume by purpose

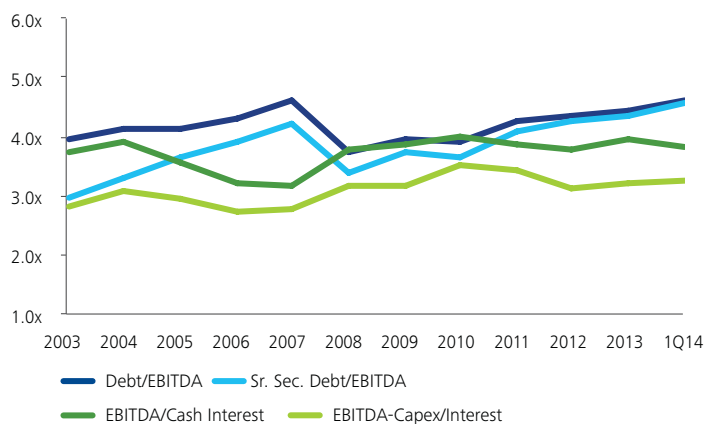


Source: S&P Leveraged Commentary and Data

Credit statistics continue to loosen in favor of borrowers

- Leverage ratios continue to be favorable to borrowers as lenders' need for assets remains driven by the low interest rate environment.
- Senior leverage ratios increased to 4.9x in Q1 2014 and remain at record levels near peaks seen in 2007. Total debt levels remain approximately a quarter of a turn below 2007 levels but continue to trend towards pre-crisis peaks.
- Favorable loan pricing has contributed to improved debt service coverage ratios in the first quarter of 2014 compared to 2013.

Average credit statistics for large corporate transactions



Source: S&P Leveraged Commentary and Data

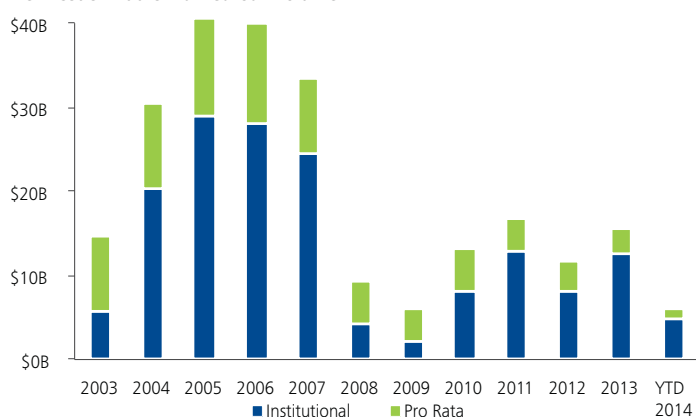
Debt capital markets news — Middle market trends

June 2014

Middle market new loan volume is steady

- Middle market volume is steady at below pre-crisis levels.
- Institutional investors continue their move back into middle market loans as institutional volume remained the main driver of the recent increase in total loan volume.
- Similar to trends for large corporate borrowers, pro-rata loans continued to lose ground to institutional deals.

New issue middle market loan volume

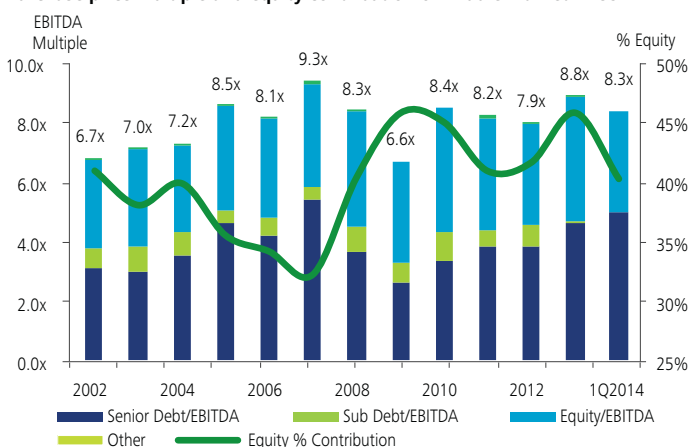


Source: S&P Leveraged Commentary and Data

2014 purchase multiples remain high

- While decreasing slightly from 2013 levels, 2014 purchase price multiples remained high in the first quarter.
- As a result of the favorable lending environment, average senior debt multiples for new middle market loans increased to approximately 4.9x, an increase from 2013's average senior debt multiple of 4.5x.
- Equity contributions as a percent of total transaction have decreased slightly, with 40% in the first quarter of 2014 compared to an average of 43% from 2010 to 2013.

Purchase price multiple and equity contribution of middle market LBOs

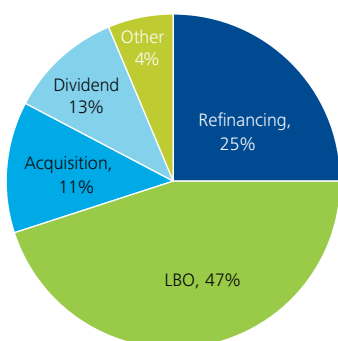


Source: S&P Leveraged Commentary and Data

First quarter LBO activity represents a significant portion of middle market issuances

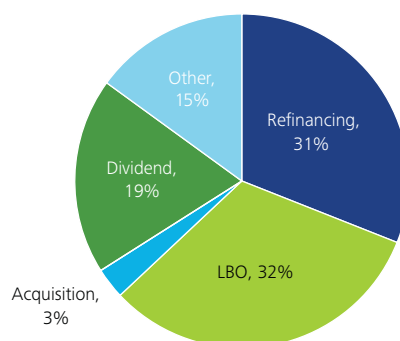
- Loan proceeds for LBO purposes for the first quarter of 2014 continued to remain high, with almost 47% of new middle market loan issuance compared to 32% in 2013.
- Dividend recaps have continued to represent a mutual portion of total middle market volume as a way for shareholders to realize returns without engaging in a full sale process.
- Refinancing still remains a dominant use of proceeds as middle market acquisition activity remains restrained relative to historical levels.

New middle market loan issuance by purpose — Q1 2014



Source: S&P Leveraged Commentary and Data

New middle market loan issuance by purpose — 2013



Source: S&P Leveraged Commentary and Data

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Contact DCF's Capital Advisory Group

John Deering

Charlotte
+1 704 333 0574
jdeering@deloitte.com

Paul Warley

Atlanta
+1 404 220 1331
pwarley@deloitte.com

Sharon Weinstein

New York
+1 212 436 6076
shweinstein@deloitte.com

Tron Allen

Houston
+1 713 982 3462
trallen@deloitte.com

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