

Record levels of leveraged loan volume in 2013 despite quiet Q4

- Leveraged loan volume was \$605 billion in 2013, including \$455 billion of institutional tranches
 - Volume was \$127 billion in Q4, up slightly from \$125 billion during Q3
- Visible inflows from loan mutual funds and CLO issuances (\$152 billion) exceeded net new supply (\$129 billion) through December 2013
 - Issuers took advantage of excess demand through dividend financings and repricings
- Dividend-related loan volume climbed to \$69.9 billion in 2013 from \$56.4 billion in 2012
- Refinancing volume was \$287.3 billion in 2013, up from \$218.0 billion in 2012
- Issuers repriced a record \$280.0 billion institutional loans in 2013, compared to \$72.3 billion in 2012 and \$140.2 billion in 2007

Market conditions remained favorable in 2013

- Covenant-lite was the default position for institutional loan structures in 2013 for the first time ever
 - 57% of institutional loans, or \$258 billion, cleared with only incurrence tests, versus 29% in 2012
- Both recap and second-lien activity surged in 2013 (recaps accounted for a third of total second-lien volume)
- M&A leveraged loan volume rose to \$196 billion in 2013 from \$144 billion in 2012
 - There is still significant room for M&A volume to grow as current levels are less than 60% of peak levels of \$331 billion seen in 2007
- Issuers have continued to take advantage as secondary prices are high and new-issue clearing yields remain low
- Default rates rose modestly to 2.11% in 2013 from 1.27% in 2012

Lenders are cautiously optimistic heading in 2014

- Jumbo-size M&A loan volumes are expected to be thin as the landscape for large LBO deals remains challenging in the face of regulatory and market-based headwinds
 - Regulators and government agencies are putting pressure on banks that have loans with debt ratios of 6.0x total or 4.0x senior leverage
 - LBO market is facing structural challenges with inflated purchase prices due to record high stock prices
 - Corporate profit margins at all-time highs as a result of years of cost-cutting efforts by corporations
- Lenders claim the drumbeat of middle market deal screening continues but not at a pace that might rival 2006 / 2007
 - Refinancings and recapitalizations are expected to remain the key drivers of loan production in 2014, at least for the first half of the year

Largest Deals Launched During Q4 2013

(\$ in millions)

Deal	Rating	Primary Sponsor	Industry	Purpose	Total/Sr Leverage	Loan Amount	New Money	RC	TLa	TLb	Left Agent	Admin/Synd/Doc
Fortescue Metals (11/13) Business Line: Owns iron-ore resources and provides associated infrastructure. Purpose: Refinances existing bank debt.	BB-/Ba2 (BBB-/Baa3)	Not Sponsored	Metals & Mining	Refinancing		\$4,950	\$4,950			\$4950M / L+325	Credit Suisse	CS/NA/NA
Tribune (11/13) Business Line: A newspaper publisher and entertainment company. Purpose: Backs the acquisition of Local TV from Oak Hill Capital Partners.	BB-/Ba3 (BB+/Ba3)	Not Sponsored	Printing & Publishing	Acquisition		\$4,100	\$4,100	\$300M / NA		\$3800M / L+300	JP Morgan Chase	JPMChase/NA/NA
Intelsat (12/13) Business Line: Commercial satellite communications services provider. Purpose: Refinances existing bank debt.	B/B3 (BB-/Ba3)	BC Partners	Telecom	Refinancing		\$3,600	\$3,600	\$500M / L+275		\$3100M / L+275	Bank of America	BA/NA/NA
Royalty Pharma (Amend 12/13) Business Line: Purchases rights to royalty streams in the pharmaceutical industry. Purpose: Refinances existing debt.	BBB-/NR (BBB-/Baa2)	Not Sponsored	Services & Leasing	Refinancing		\$3,394	\$0			\$822.4M / L+225	Bank of America	NA/NA/NA
Crown Holdings (12/13) Business Line: Supplies packaging products to consumer-marketing companies around the world. Purpose: Backs the acquisition of Mivisa Envases.	BB+/Ba1 (BBB-/Baa2)	Not Sponsored	Metals & Mining	Acquisition		\$3,307	\$3,307	\$1200M / L+175	\$1744.66M / L+175		Citigroup	DB/NA/NA
Neiman Marcus (TL 11/13) Business Line: A high-end specialty retailer. Purpose: Backs the LBO of the company by Ares Management and Canada Pension Plan.	B/B3 (B/B2)	Ares Management	Retail	LBO	6.9x/6.9x	\$2,950	\$2,950			\$2950M / L+400	Credit Suisse	CS/NA/NA
Neiman Marcus (ABL RC 11/13) Business Line: A high-end specialty retailer. Purpose: Backs the LBO of the company by Ares Management and Canada Pension Plan.	B/B3 (NR/NR)	Ares Management	Retail	LBO	6.9x/6.9x	\$800	\$800	\$800M / L+150			Deutsche Bank	DB/NA/NA
Valeant (Amend 1/14) Business Line: Develops, manufactures and markets a range of pharmaceutical products. Purpose: Reprices existing TLe mark-to-market.	BB-/Ba3 (BB/Ba1)	Not Sponsored	Healthcare	Refinancing		\$2,950	\$0			\$2950M / L+300	JP Morgan Chase	Goldman/NA/NA
Chrysler (Amend 1/14) Business Line: An automobile manufacturer. Purpose: Reprices existing TLb mark-to-market.	B+/B1 (BB/Ba1)	Not Sponsored	Automotive	Refinancing		\$2,930	\$0			\$2930M / L+275	Morgan Stanley	NA/NA/NA
Infor Global (1/14) Business Line: World's third-largest provider of enterprise software and services. Purpose: Refinances existing bank debt.	B/B2 (B+/Ba3)	Golden Gate Capital	Computers & Electronics	Refinancing		\$2,540	\$2,540			\$2540M / L+275	Bank of America	NA/NA/NA
Las Vegas Sands (TL 1/14) Business Line: Owner and operator of casino resorts. Purpose: Along with an RC, refinances existing bank debt.	BBB-/Ba2 (BBB-/Ba2)	Not Sponsored	Gaming & Hotel	Refinancing		\$2,250	\$2,250			\$2250M / L+250	Barclays Bank	Scotia/NA/NA
Las Vegas Sands (RC 1/14) Business Line: Owner and operator of casino resorts. Purpose: Along with a cov-lite TL, refinances existing bank debt.	BBB-/Ba2 (BBB-/Ba2)	Not Sponsored	Gaming & Hotel	Refinancing		\$1,250	\$1,250	\$1250M / L+150			Barclays Bank	Scotia/NA/NA
Reynolds Group (US Amend 12/13) Business Line: Manufacturer and supplier of consumer food and beverage packaging and storage products. Purpose: Reprices existing TLb mark-to-market.	B/B3 (B+/B1)	Rank Group Ltd.	Forest Product	Refinancing		\$2,213	\$0			\$2213M / L+300	Credit Suisse	NA/NA/NA
Quintiles (Amend 12/13) Business Line: Provides integrated product development & commercial solutions to the healthcare industry. Purpose: Amends existing TLb mark-to-market.	BB/Ba3 (BB/Ba3)	Bain Capital	Services & Leasing	Refinancing		\$2,061	\$0			\$2061M / L+250	JP Morgan Chase	JPMChase/NA/NA
Cumulus Media (TL 1/14) Business Line: Owns and operates commercial radio station clusters. Purpose: Along with an RC, refinances existing bank debt.	B/B2 (B+/B1)	Crestview Partners	Radio	Refinancing		\$2,025	\$2,025			\$2025M / L+325	JP Morgan Chase	JPMChase/NA/NA
Cumulus Media (RC 1/14) Business Line: Owns and operates commercial radio station clusters. Purpose: Along with an TL, refinances existing bank debt.	B/B2 (B+/B1)	Crestview Partners	Radio	Refinancing		\$200	\$200	\$200M / NA			JP Morgan Chase	JPMChase/NA/NA
AMC (12/13) Business Line: Owns and operates four nationally distributed entertainment programming networks. Purpose: Backs the acquisition of Chellomedia.	BB/Ba3 (BBB-/Ba1)	Not Sponsored	Cable	Acquisition		\$1,980	\$1,980	\$500M / L+200	\$1480M / L+200		Bank of America	NA/NA/NA
Alliant Techsystems (11/13) Business Line: Manufacturer of propulsion systems for space vehicles and tactical missile systems. Purpose: Backs the acquisition of Bushnell Group.	BB/Ba2 (BBB-/Ba1)	Not Sponsored	Aerospace & Defense	Acquisition	2.6x/NA	\$1,960	\$1,960	\$700M / L+200	\$1010M / L+200	\$250M / L+275	Bank of America	NA/NA/NA
American Airlines (Amend 1/14) Business Line: A passenger airline and airfreight carrier. Purpose: Amends existing TLb mark-to-market	B/B1 (BB-/Ba2)	Not Sponsored	Transportation	Refinancing		\$1,900	\$0			\$1900M / L+300	Deutsche Bank	DB/NA/NA
Endo Pharma (RC/TLa 12/13) Business Line: A researcher, developer, manufacturer, marketer and seller of branded and generic pharmaceuticals. Purpose: Along with a TLb, backs the acquisition of Paladin Labs.	BB-/Ba3 (BB+/Ba1)	Not Sponsored	Healthcare	Acquisition		\$1,850	\$1,850	\$750M / L+200	\$1100M / L+200		Deutsche Bank	DB/Royal Bank of Canada/NA
Endo Pharma (TLb 1/14) Business Line: A researcher, developer, manufacturer, marketer and seller of branded and generic pharmaceuticals. Purpose: Along with pro rata facilities, backs the acquisition of Paladin labs.	BB-/Ba3 (BB+/Ba1)	Not Sponsored	Healthcare	Acquisition		\$425	\$425			\$425M / L+250	Deutsche Bank	DB/Royal Bank of Canada/NA

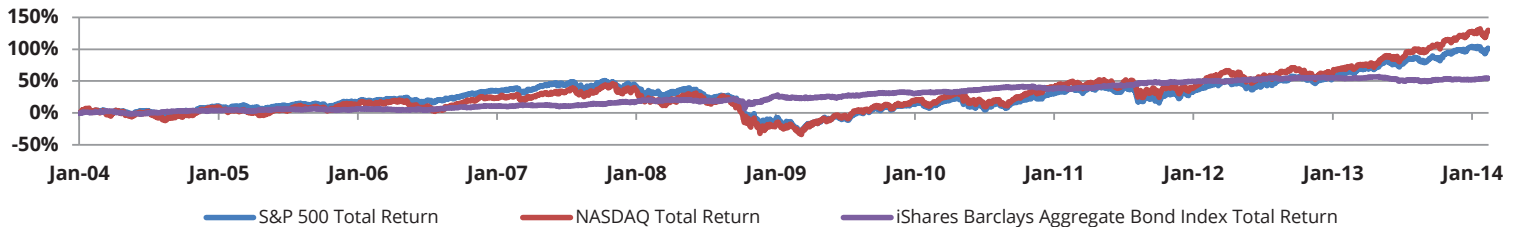
Sources: S&P LCD, TM Capital

Key Market Indicators

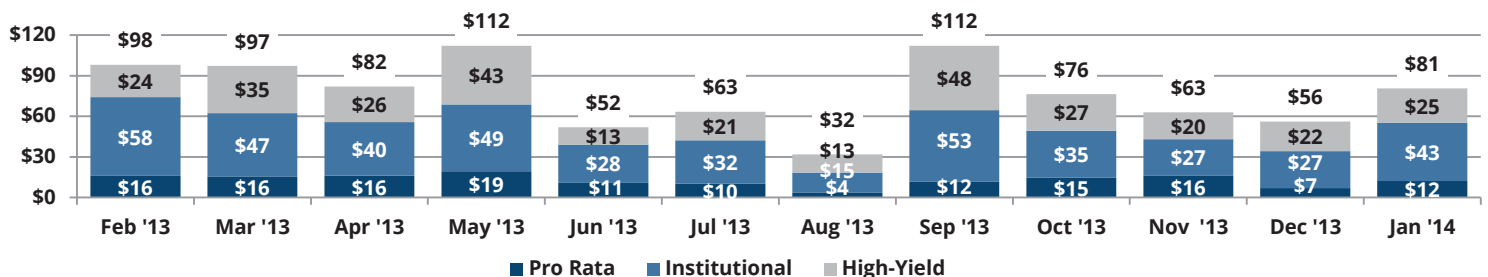
	Jan 2013	Oct	2013 Nov	Dec	Jan 2014		Jan 2013	Oct	2013 Nov	Dec	Jan 2014
Indices						Average New-Issue Pricing - B+/B					
10-Year Treasury	2.02%	2.57%	2.75%	3.04%	2.67%	Total Spread	458.9	502.2	456.6	452.0	434.1
DJIA	13,861	15,546	16,086	16,577	15,699	YTM	5.01%	5.25%	4.84%	4.85%	4.61%
S&P 500	1,498	1,757	1,806	1,848	1,783	New-Issue Deal Flow					
NASDAQ	3,142	3,920	4,060	4,177	4,104	Monthly Volume (\$ in billions)	55.4	49.4	43.2	34.4	55.1
iShares Barclays Aggregate Bond Index	110.3	107.8	107.1	106.0	107.9	Monthly Number of Loans	95	107	117	83	135
Total Return*						YTD Volume (\$ in billions)	55.4	527.4	570.6	605.0	55.1
10-Year Treasury	12.94%	(3.61%)	4.68%	10.33%	(12.68%)	YTD Number of Loans	95	1,115	1,233	1,316	135
DJIA	5.91%	2.45%	3.36%	3.19%	(5.19%)	Lagging 12-Month Default Rates					
S&P 500	5.18%	3.76%	2.75%	2.52%	(3.46%)	By Number	1.66%	1.64%	1.48%	1.61%	1.17%
NASDAQ	6.74%	3.21%	2.26%	2.63%	(2.90%)	By Principal Amount	1.42%	2.31%	2.08%	2.11%	1.88%
iShares Barclays Aggregate Bond Index	(0.62%)	0.91%	(0.01%)	(0.56%)	1.54%	Average Credit Statistics on Highly Leveraged Loans					
Commodities						Lev Thru First-Lien Debt	3.4x	3.9x	3.6x	3.3x	3.9x
Crude Oil	\$97.49	\$96.38	\$92.72	\$98.42	\$97.49	Lev Thru Senior Debt	4.5x	4.6x	4.6x	4.7x	5.0x
Natural Gas	\$3.34	\$3.66	\$3.95	\$4.19	\$4.94	Total Debt / EBITDA	4.6x	4.6x	4.7x	4.8x	5.0x
Gold	\$1,662	\$1,324	\$1,250	\$1,202	\$1,240	Institutional First-Lien Statistics					
Currencies						% of Tranches with Floors	92.9%	98.3%	98.2%	100.0%	99.0%
EUR in USD	\$1.36	\$1.36	\$1.36	\$1.38	\$1.35	Libor Floor Level (bps)	116	100	100	100	93
USD in JPY	\$91.19	\$98.27	\$102.45	\$105.15	\$102.25	% Flex Down	34%	24%	26%	31%	38%
USD in CNY	\$6.22	\$6.09	\$6.09	\$6.05	\$6.06	% Flex Up	0%	12%	7%	11%	2%
GBP in USD	\$1.58	\$1.61	\$1.64	\$1.66	\$1.65						

*Includes dividend / interest payments, when applicable

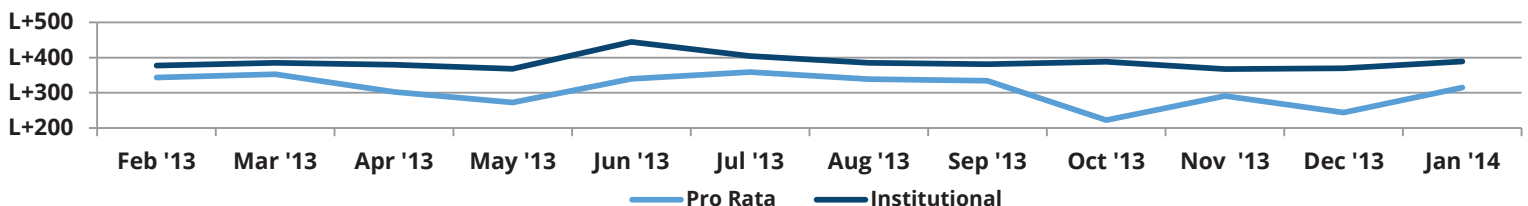
Stock Market Performance



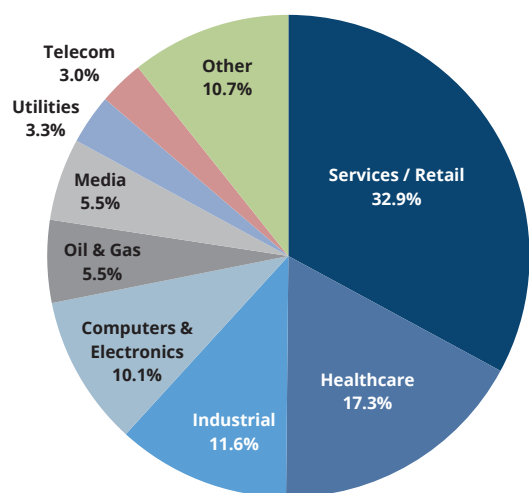
U.S. Leveraged Finance Volume - Bank Debts and Bonds (\$ in billions)



New-Issue First-Lien Spreads

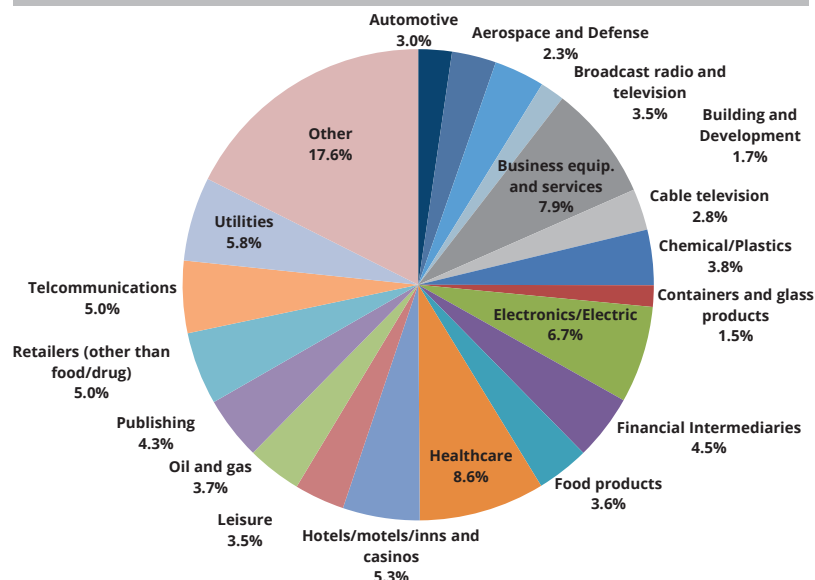


New-Issue Loan Volume by Industry – 30 Days Ended 2/6/2014



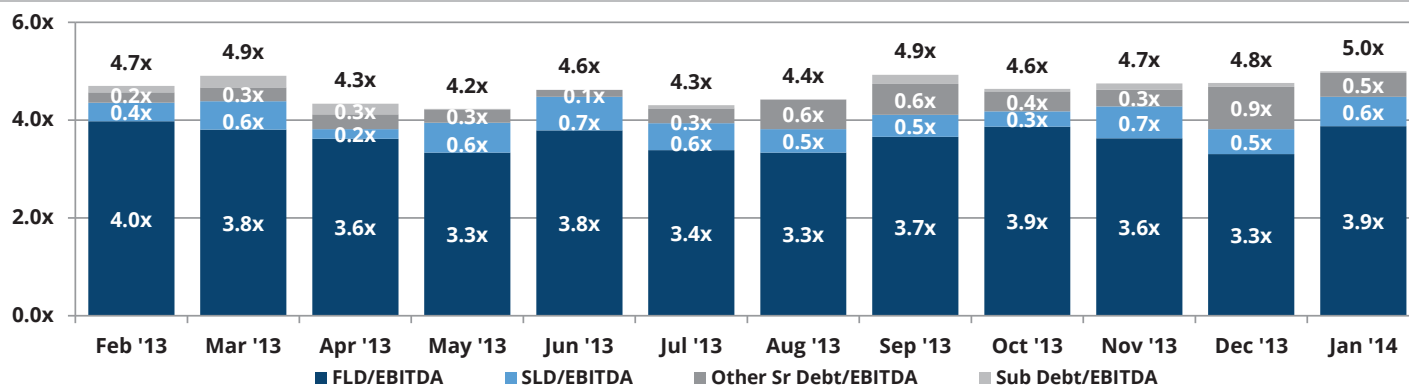
Total New-Issue Volume: \$59.1 billion (30 Days Ended 2/6/2014)

Par Amount of Outstanding Loans by Industry – 1/31/14



Total Par Amount of Outstanding Loans: \$689.6 billion (1/31/2014)

Average Debt Multiples of Highly Leveraged Loans



Sources: S&P LCD, TM Capital

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