

TM capital's Middle Market Loan Report

An M&A International Inc. firm 

February 2013

Economic Indicators

Economic Indicators	December 2012	November 2012
Consumer Price Index ¹	0.0	(0.3)
Industrial Production ²	98.1	97.8
Housing Starts	954,000	851,000
Initial Jobless Claims	500,163	361,800

¹ Represents seasonally-adjusted percentage change from preceding month

² 2007 = 100

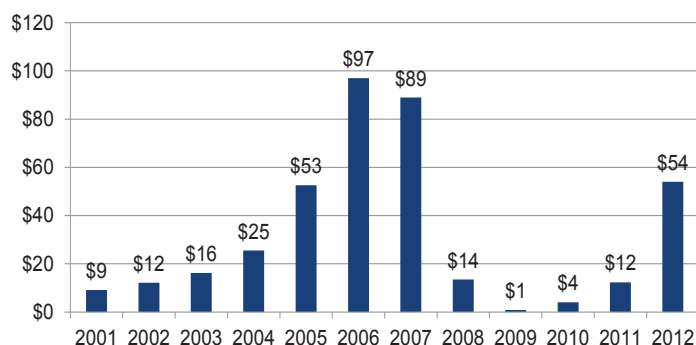
Benchmarks

Benchmarks	1/1/2013	Months Prior to 1/1/13				
		1 Month	3 Month	6 Month	12 Month	
3 Month LIBOR	0.30%	0.31%	0.36%	0.46%	0.58%	
Prime Rate	3.25%	3.25%	3.25%	3.25%	3.25%	
10-Year Treasury	1.86%	1.63%	1.64%	1.61%	1.97%	
S&P 500	1,462	1,409	1,444	1,366	1,277	

Winter 2013 Update

Loan demand continues to outstrip supply...

CLO Issuances



Note: US\$ in billions

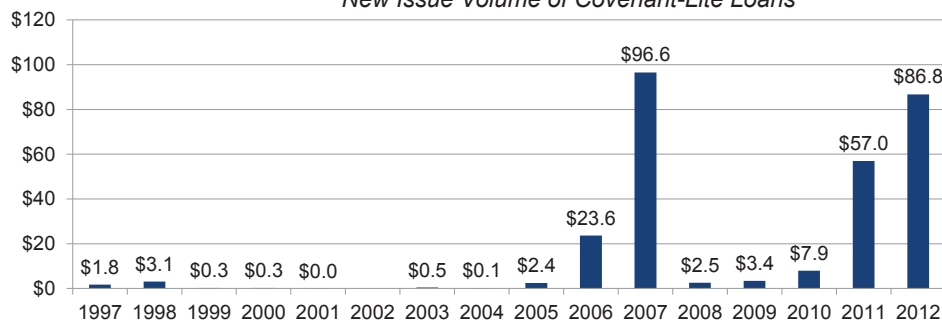
Sources: S&P LCD and TM Capital

- CLO volume exploded in 2012 (\$54 billion vs. \$12 billion) and fund inflows remained strong creating significant net new loan demand
- 2012 loan issuance rose 24% to \$465 billion, however 47% was accounted for by refinancing of existing loans (i.e. did not constitute new net supply)
- Notwithstanding the increase in transaction volume, pricing remained borrower friendly
 - Yields (4.2% for BB credits / 5.7% for B credits) declined slightly during the quarter
 - Spreads were more of a mixed bag (down for BB credits / up for B credits) but did not move significantly in either direction
- Transaction volume tailed off dramatically at year-end
 - September, October and November had huge loan issuance
 - December, however, was one of the slowest months of 2012

...“signs of the apocalypse” abound...

- Covenant-lite volume was up approximately 52% in 2012
- 2nd Lien volume was up approximately 143% in 2012
- Dividend recap volume was up 54% in 2012
- Maintenance covenant headroom increased dramatically, as measured by year-one Debt / EBITDA (33% in 2012 vs. 20% in 2011)

New Issue Volume of Covenant-Lite Loans

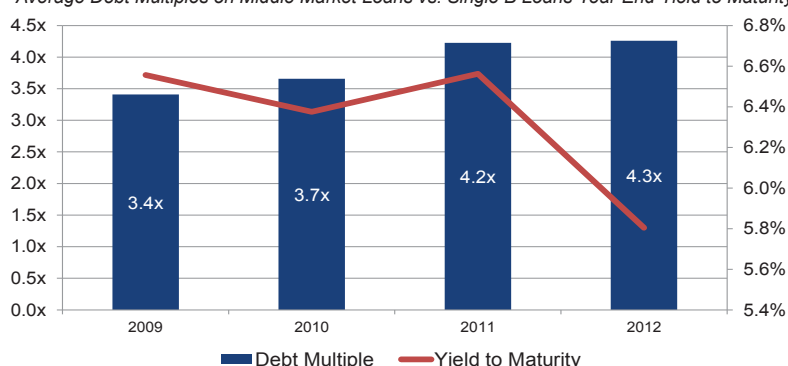


Note: US\$ in billions

Sources: S&P LCD and TM Capital

...we continue to believe the debt markets are mispricing risk.

Average Debt Multiples on Middle Market Loans vs. Single B Loans Year-End Yield to Maturity



Sources: S&P LCD and TM Capital

- Debt issuers benefit from the arbitrage between the cheap debt they borrow and the higher return assets they purchase with the proceeds
 - M&A multiples remain attractive
 - Recaps can create liquidity for owners and increase the returns on their remaining equity investment
 - Debt financed growth initiatives have a low breakeven return
- We would welcome an opportunity to review current market conditions and discuss your current financing options

Navigating the ever-changing financial landscape demands an independent advisor with the experience to develop and evaluate multiple structures and the relationships to drive successful transaction execution. To learn more, contact Rob Grien at 212.809.1434, rgrien@tmcapital.com or Jerome Romano at 617.259.2206, jromano@tmcapital.com.

Providing Middle Market Debt Financing Advisory Services on a Global Scale

mi
micromeritics®

has completed a management-led leveraged recapitalization with Senior Secured Credit Facilities provided by

SUNTRUST™
and Senior Subordinated Notes by

WESTBURY PARTNERS

\$75,000,000
Senior Secured Revolving Credit Facility

Fleet
Laboratories

provided by

WELLS FARGO

\$250,000,000
Senior Unsecured Revolving Credit Facility

VP VALLEY PROTEINS, INC.

provided by a syndicate led by

WELLS FARGO **usbank** **PNC**

\$63,500,000

DIVERSITECH

has completed a \$12,000,000 Senior Subordinated Note financing provided by

PennantPark
Investment Corporation

plus senior secured financings with

REGIONS **GE Capital**

\$25,000,000
Senior Debt Financing

TechHealth™
Simplifying the Process of Care™

\$10,000,000 Revolving Credit Facility
\$15,000,000 Senior Term Loan

provided by

SUNTRUST

Fleet
Laboratories

owner of leading OTC brands:

Fleet **summer's eve** **CASEN Fleet**

has amended its senior credit facility with

SUNTRUST

Revolving Credit Facility

LaSalle Bristol
a subsidiary of

HW
Heywood Williams

provided by

ColeTaylorBank

\$535,500,000
Senior Credit Facility

New Enterprise Stone & Lime Co., Inc.

provided by a syndicate led by

M&T Bank National City

\$65,000,000
Senior Credit Facility

OMEGA PROTEIN®

provided by

ABLECO
FINANCE LLC

\$153,000,000
Senior Credit Facility

NATIONAL VISION
INC.

provided by

Freeport
FINANCIAL

\$160,600,000
Financial Restructuring

VP VALLEY PROTEINS, INC.

\$20,000,000 Senior Revolving Credit Facility
\$65,000,000 Senior Term Loan
\$45,500,000 Second Lien Term Loan
\$30,100,000 Subordinated Notes

LEE'S
Famous Recipe Chicken

Senior Term Loan
Revolving Credit Facility provided by

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About TM Capital

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