TM capital
An M&A International Inc. firm

Leveraged Lending Market Report
Quarterly Commentary
Q1 2015

Leveraged loan volume, while up over Q4 2014, declined relative to Q1 last year…

- New-issue volume rose to $86.1 billion in Q1, including $56.4 billion of institutional tranches, from a three-year low of $66.6 billion during Q4 2014
  - However, new-issue volume dropped significantly compared to the Q1 2014 level of $168 billion
- Increased oversight by regulators on high-risk lending impacted loan volume during Q1
- Issuers executed $20.4 billion of refinancings during Q1 versus $17.9 billion in Q4 2014 and $64.7 billion in Q1 2014
- Dividend-related loan volume was $6.3 billion total, versus $4.1 billion in the Q4 2014 and $17.0 billion in Q1 2014
- Second-lien loans experienced pressure during Q1, generating a 1.25% return, versus 2.13% for all S&P/LSTA Index loans
- Repricing activity dropped given unsupportive market dynamics which made spread-shaving difficult

…M&A volume held up better than the broader primary market…

- M&A volume increased sequentially from Q4, and while it was down from the Q1 2014 level, it held up slightly better than the primary market as a whole
  - During Q1 issuers tapped the market for $56.7 billion of acquisition-driven loans, including $42.7 billion of institutional tranches, versus $67.3 billion/$54.1 billion during Q1 2014
- Despite regulatory pressure on debt multiples and high equity prices, LBO loan volume rose sequentially in the first quarter
- LBO loan volume was $20.3 billion, including $18.2 billion of institutional facilities, versus $14.7 billion during Q4 2014 and $25.3 billion during Q1 2014
- Add-on loan volume, the lion's share of which was comprised of bolt-on acquisitions, rose to a record $17.7 billion, including $11.9 billion of institutional tranches, surpassing Q4's mark of $14.9 billion

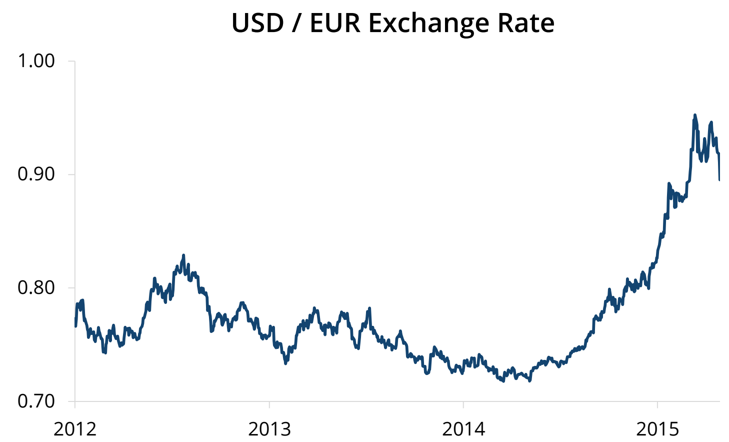
…2015 full year loan volume expected to drop amidst regulatory pressures.

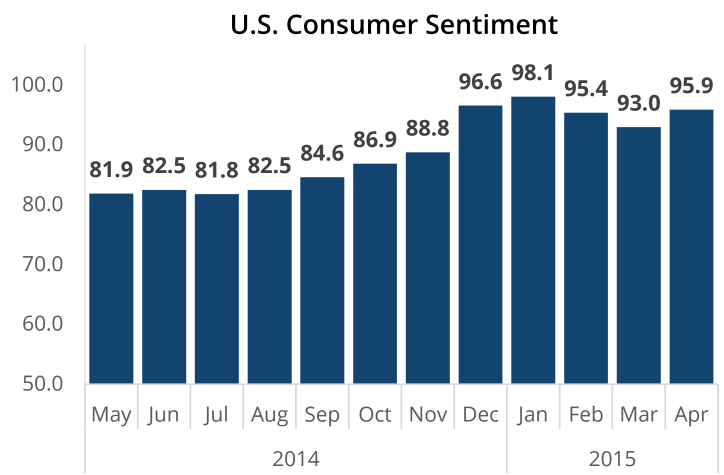
- Going forward, acquisition-driven loan volume is expected to persist at the steady pace of early 2015, with an emphasis on strategic transactions – both corporate and PE-backed – that pass regulatory muster
- As for LBO and opportunistic deal flow, the forward calendar is spotty
- In the months ahead, arrangers expect a modest comeback in such issuer-friendly deals
  - Forward loan calendar remains light
  - Amount of visible repayments is running strong
- The calendar continues to skew heavily to M&A at $41.1 billion total/$33.9 billion acquisition-related as of March 25, 2015
- Overall, 2015 volume is expected to decline substantially from 2014 levels given regulatory pressures and general market uncertainty

Sources: S&P LCD, TM Capital

Macroeconomic Trends Improving Despite Slow Q1

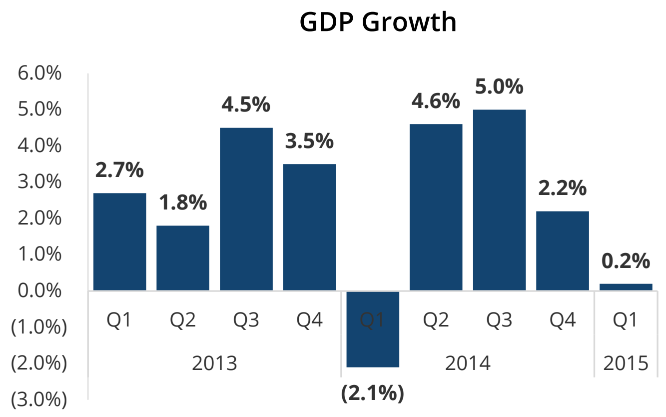
- Roughly 15% appreciation of the exchange value of the dollar since mid-2014
  - U.S. exports more expensive
  - U.S. imports more competitive
  - Negatively impacts earnings of U.S. companies with large foreign operations
- During Q1, the severe winter weather negatively impacted many businesses but a lag effect should result in an improved Q2
- Consumer sentiment, wages and spending are increasing
- Continued weakness of oil
  - Low price of oil is a boon to consumers
  - Economic drag of the decline in oil is expected to be lessened by the back half of this year
- Stagnation in southern Europe and Japan, and slowing growth in China has prompted foreign central bankers to increase money supply, and depress the dollar values of the euro, yen and yuan
- Uncertain macroeconomic trends during Q1 result in uncertainty around Fed action and a potential interest rate hike





Tightening of Rates by Fed Expected to be Deferred

- Due to a slowed economy during Q1, many economists believe the Fed will not raise rates until later this year
- Fed officials have said they won't raise rates until they're confident inflation is on track to rise toward their 2% target, and they want to see the job market keep improving
- If financial conditions tighten unduly, then this will likely prompt the Fed to raise rates much more slowly or even to pause for a while



Sources: S&P LCD, Bloomberg, University of Michigan, U.S. Bureau of Economic Analysis, TM Capital

Leveraged Lending Market Report
April 2015

TM capital
An M&A International Inc. firm

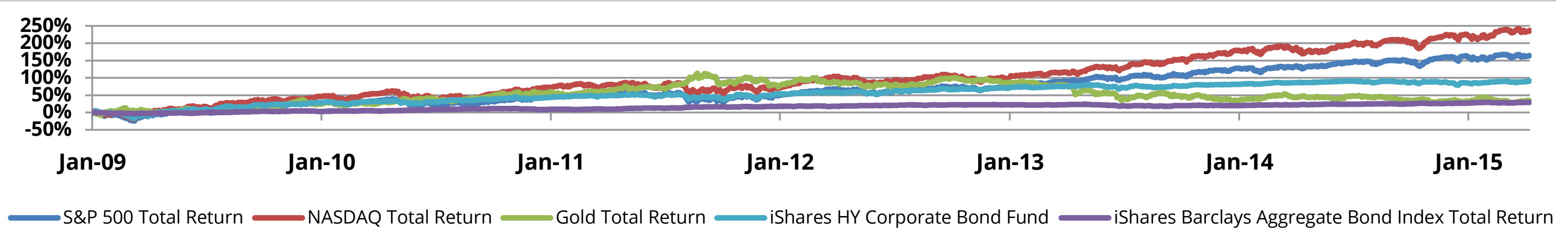
Key Market Indicators

	2014 Dec	2014 Nov	2014 Oct	2014 Sep	Dec 2013
Indices					
10-Year Treasury	2.17%	2.18%	2.35%	2.52%	3.04%
DJIA	17,823	17,828	17,391	17,043	16,577
S&P 500	2,059	2,068	2,018	1,972	1,848
NASDAQ	4,736	4,792	4,631	4,493	4,177
iShares HY Corporate Bond Fund	89.5	91.5	92.4	91.0	92.6
iShares Barclays Aggregate Bond Index	110.0	110.8	109.9	109.0	106.0
Total Return*					
10-Year Treasury	0.79%	1.84%	0.66%	(1.24%)	(1.88%)
DJIA	0.40%	2.86%	3.60%	(0.23%)	3.19%
S&P 500	0.42%	2.69%	3.81%	(1.40%)	2.75%
NASDAQ	0.26%	3.70%	4.76%	(1.82%)	2.97%
iShares HY Corporate Bond Fund	0.20%	(1.08%)	0.95%	(1.98%)	0.41%
iShares Barclays Aggregate Bond Index	0.37%	0.66%	0.50%	(0.61%)	(0.56%)
Commodities					
Crude Oil	$53.27	$66.15	$80.54	$46.47	$98.42
Natural Gas	$2.90	$4.09	$3.96	$4.12	$4.19
Gold	$1,185	$1,176	$1,172	$1,212	$1,202
Currencies					
EUR in USD	$1.21	$1.24	$1.25	$1.26	$1.38
USD in JPY	119.81	118.74	112.09	109.70	105.15
USD in CNY	6.20	6.14	6.11	6.14	6.05
GBP in USD	$1.56	$1.56	$1.60	$1.62	$1.66

*Includes dividend / interest payments, when applicable

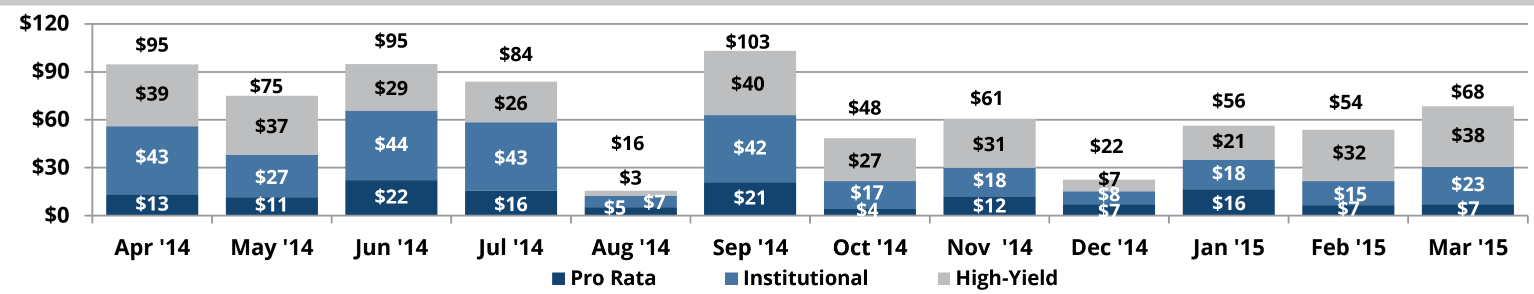
	2014 Dec	2014 Nov	2014 Oct	2014 Sep	Dec 2013
Average New-Issue Pricing - B+/B					
Total Spread	581.2	579.4	577.0	520.6	452.0
YTM	6.05%	6.04%	5.96%	5.43%	4.85%
New-Issue Deal Flow					
Monthly Volume ($ in billions)	15.3	29.8	21.5	62.8	34.6
Monthly Number of Loans	35	60	55	92	63
YTD Volume ($ in billions)	527.5	512.2	482.4	460.9	606.7
YTD Number of Loans	901	866	806	751	948
Lagging 12-Month Default Rates					
By Number	0.62%	0.75%	0.64%	0.64%	1.61%
By Principal Amount	3.24%	3.33%	3.28%	3.34%	2.11%
Average Credit Statistics on Highly Leveraged Loans					
Lev Thru First-Lien Debt	3.8x	4.3x	4.0x	4.3x	3.3x
Lev Thru Senior Debt	4.9x	5.2x	5.1x	5.1x	4.7x
Total Debt / EBITDA	5.1x	5.2x	5.1x	5.2x	4.8x
Institutional First-Lien Statistics					
% of Tranches with Floors	100.0%	100.0%	100.0%	88.1%	100.0%
Libor Floor Level (bps)	101	100	98	98	100
% Flex Down	26%	30%	19%	17%	31%
% Flex Up	30%	25%	33%	29%	11%

Stock Market Performance*

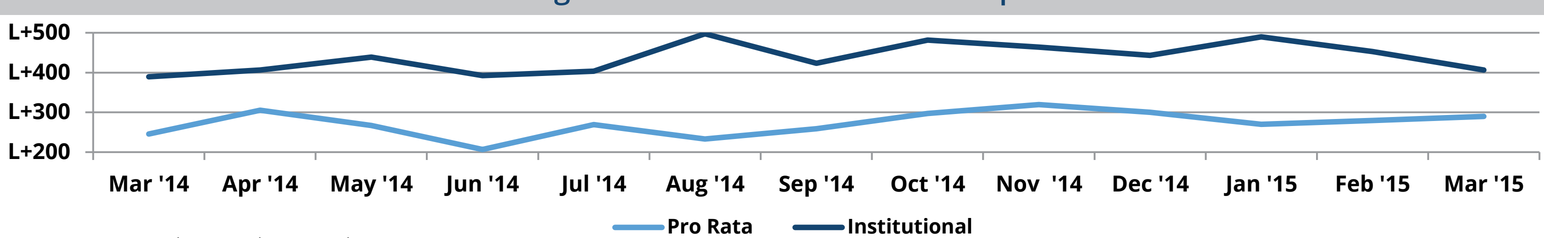


*Includes dividend / interest payments, when applicable

U.S. Leveraged Finance Volume – Loans and Bonds ($ in billions)

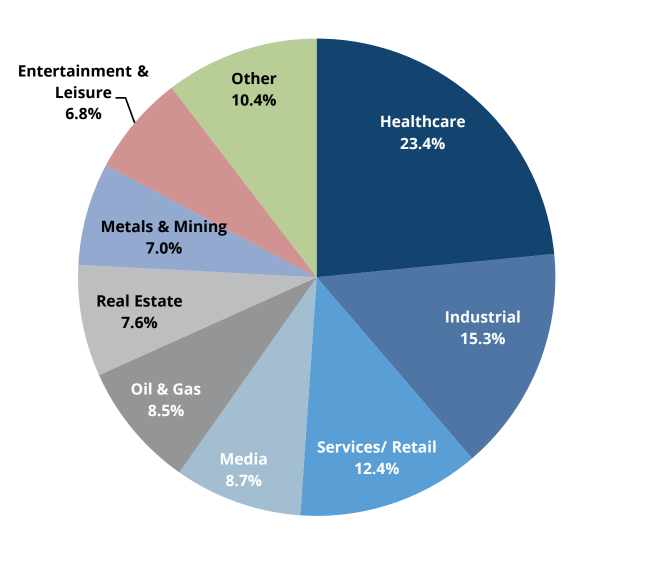


Leveraged Loan New-Issue First-Lien Spreads



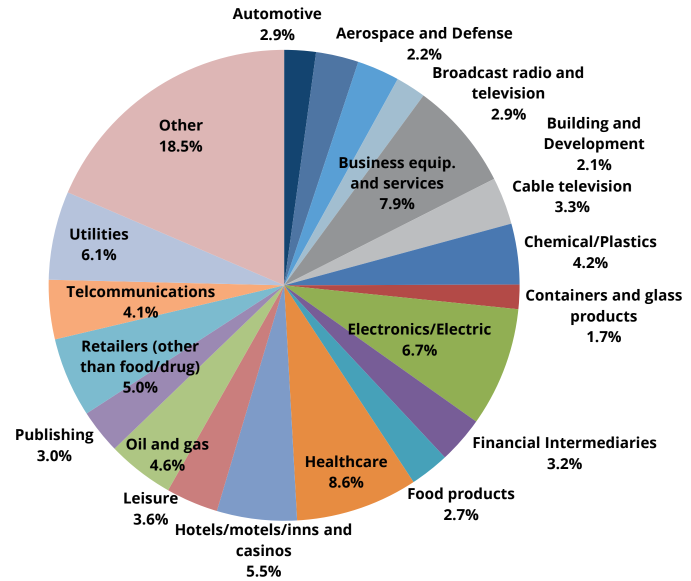
Sources: S&P LCD, Barclays Capital, TM Capital

New-Issue Leveraged Loan Volume by Industry – 30 Days Ended 4/2/2015



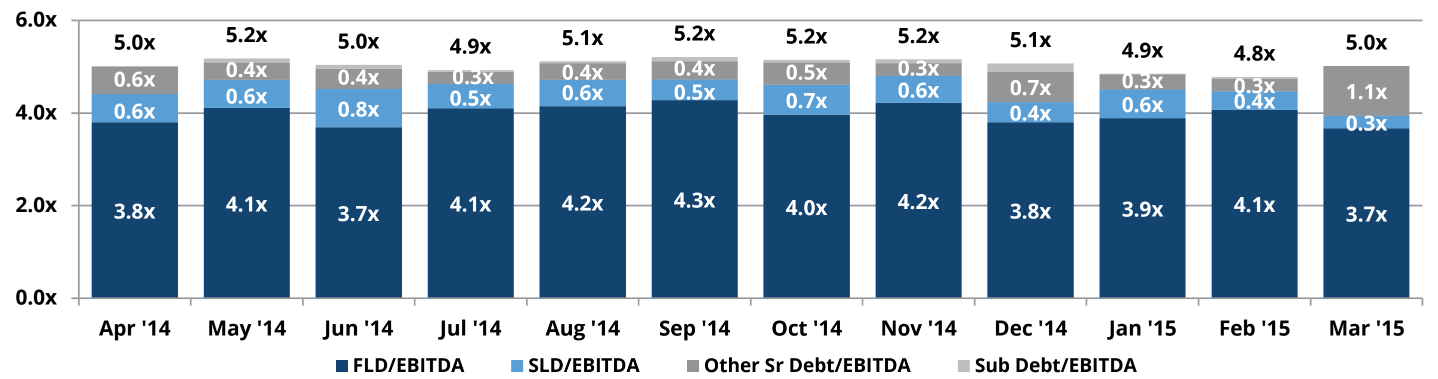
Total New-Issue Volume: $34.2 billion (30 Days Ended 4/2/2015)

Par Amount of Outstanding Leveraged Loans by Industry – 3/27/2015



Total Par Amount of Outstanding Loans: $840.0 billion (3/27/2015)

Average Debt Multiples of Highly Leveraged Loans



Sources: S&P LCD, TM Capital

Recent TM Capital Financing Experience

micromeritics® The Science and Technology of Small Particles™

has completed a debt refinancing with

SunTrust

KRD Trucking

a portfolio company of

HKW

has completed a debt refinancing with

White Oak Global Advisors, LLC

Climax

a portfolio company of

DeltaPoint Capital Management, LLC

has completed a recapitalization led by

Enhanced Capital

TM Capital's Leveraged Finance Contacts

Robert Grien
Managing Director
rgrien@tmcapital.com
212-809-1434

Jerome Romano
Managing Director
jromano@tmcapital.com
617-259-2206

About TM Capital

TM Capital Corp. is a partner-owned investment banking firm based in New York, Boston and Atlanta, which has completed over 250 transactions with a combined value in excess of $16 billion. Since 1989, we have advised clients navigating a full range of critical transactions, including complex mergers, acquisitions, debt and equity financings, minority and majority recapitalizations, restructurings, and advisory services including takeover defense, fairness and solvency opinions, valuations, as well as litigation support. We have built deep industry expertise in key sectors and our team regularly publishes research highlighting current and emerging trends in targeted industries and markets. TM Capital is a member firm of M&A International Inc., the world's leading alliance of mid-market investment banks with over 600 M&A professionals in 42 countries. Members have closed over 1,400 transactions totaling more than $75 billion in value over the past five years. For more information, visit www.tmcapital.com.

New York
641 Lexington Avenue
30th Floor
New York, NY 10022
Tel: 212.809.1360

Boston
201 Washington Street
32nd Floor
Boston, MA 02108
Tel: 617.259.2200

Atlanta
15 Piedmont Center NE
Suite 1010
Atlanta, GA 30305
Tel: 404.995.6230

TM capital
An M&A International Inc. firm
www.tmcapital.com