DEBTWIRE

NORTH AMERICA & EUROPE LEVERAGE LOAN REPORT

1H 2010 EDITION

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Introduction

1H10 Leveraged Loan Market Highlights

... in North America

Debtwire North America covered 133 leveraged loans issued by 112 companies during 1H10 worth a total of USD 61bn. Twelve companies topped USD 1bn of issuance, including American General Finance, CF Industries, Citgo Petroleum Corp, ILFC, IMS Health, MSCI, N.E.W. Customer Service Companies, New Development Holdings (Calpine), Phillips-Van Heusen, Regal Cinemas, Reynolds & Reynolds and Six Flags.

By industry, healthcare was the busiest, marketing 17 loans (USD 6.5bn), with media (USD 5.8bn), consumer (USD 5bn), and telecommunication (USD 4bn), following with 12 tranches each.

Almost half of the loans issued – 64 tranches worth USD 31bn – refinanced existing debt. LBO financings and dividend recapitalizations tied for second place with 16% (21 tranches) each. But in terms of dollar amount, buyouts trumped with a range of USD 110m to USD 1.25bn against USD 65m-USD 815m for dividend deals.

Simple secured term loans comprised 80 deals amounting to USD 40bn, leaving TLAs and TLBs in the dust with six deals (USD 1.7bn) and 30 deals (USD 15.2bn), respectively. Borrowers sold seven second lien tranches totalling USD 1.1bn and only one tranche was unsecured.

With Libor still at historical lows, Libor floors remained sine qua non, appearing in 95% of loans ranging from 125bps to 300bps. Approximately, one-third of loans sold fell in the Libor+ 400bps-499bps range and the Libor+ 300bps-399bps range, respectively. The priciest deal proved to be Trident Resources' USD 410m four-year exit loan paying Libor+ 950bps.

Maturity-wise, 74 tranches worth USD 30.2bn carried six-year terms, followed by 29 tranches worth USD 15.3bn due in five years.

... in Europe

In 1H10, Debtwire Europe covered 46 new loans issued by 20 companies totalling just under EUR 11.3bn, 18% ahead of the volume in 1H09. LBO-driven issuance kicked off the second quarter, totaling EUR 4.9bn associated with 39 deals (31 LBO financings, five refinancings, and three acquisitions). Nevertheless, secondary buyouts and refinancings came to dominate the first half of 2010, while new acquisitions remained scarce.

The biggest European deals in 1H10 originated from three leveraged buyouts, two revolver refinancings and acquisition financing. UK-based pet food and pet products retailer Pets at Home stepped on the market with a GBP 510m package backing its secondary buyout. The company was sold to KKR for GBP 955m (USD 1.54bn) for an approximate 10.5x multiple following a competitive bid process involving seven large private equity firms.

In the beginning of May, KKR teamed up with Triton partners for a EUR 850m buyout of Swedish healthcare provider Ambea at a lofty 11x multiple, backed by a SEK 4.3bn (EUR 455m) leveraged loan, bringing the company's leverage to 6x.

UK-based retailer Matalan launched the first dividend recap in two years with a GBP 250m senior secured term loan, GBP 50m revolver, and GBP 225m seven-year bond as part of the recapitalisation.

Multi-currency deals also picked up in Europe, with Phillips-Van Heusen selling USD 2.45bn of senior secured debt, split between US dollar and euro-denominated tranches. The package backed the group's acquisition of Tommy Hilfiger and repurchased PVH's 7.25% notes due 2011 and 8.125% senior notes due 2013.

On the refinancing side, Rexel launched a EUR 1.7bn deal, split between a EUR 600m term loan A and EUR 1.1bn term loan B, while HeidelbergCement signed a EUR 3bn deal syndicated among 17 banks to repay a credit facility obtained from 60 banks back in June 2009.

Debtwire Europe tracked two mezzanine deals totalling EUR 169m in the first half of the year. Pets at Home's secondary buyout in March featured a GBP 135m mezzanine tranche paying around 10.75% (cash/PIK). Two months later in May, Apotek Hjartat finalised a debt package with a SEK 50m mezzanine tranche taken up by Ares Capital and Armada Mezzanine. Pricing on the tranche was in line with Europe market standards at around 12%-13% with a combination of cash and PIK margins.

In terms of pricing, the most common loan issues in the first half of 2010 were deals with spreads above 500bps over three-month Euribor, representing 29% of total deal volume for the period. This was followed by deals with spreads less than 299bps over three-month Euribor, representing 24% of total deals. On sterling-denominated loans in 1H10, the most common deals carried a spread of three-month Libor+ 450bps, nine deals out of a total of 19 sterling-denominated issues.

Introduction

... to sum up

Looking at the overall picture, North America overshadowed European issuance in terms of capital committed and number of deals, but offered less variety in terms of seniority and tranche types. Refinancing topped out as the main use of proceeds in North America, while LBO financings took the top spot in Europe.

Despite some considerable headwinds throughout the year, ranging from the possibility of a double-dip global recession to sovereign debt woes in Europe, the leveraged loan markets in North America and Europe were surprisingly resilient, remaining open for companies to refinance debt, fund LBOs and acquisitions.

DW North America Leveraged Loan Issuance & Pipeline Criteria

DW Issuance and Pipeline tracks new leveraged loan issuance under the following criteria:

- All LBO deals greater than USD150m equivalent
- Debt issued/marketed in North America
- Corporate Family Rating and Issue Rating by both S&P and Moody's of speculative grade. Excludes any split-rated crossover issuers and/or issuances
- Leveraged Loans with spreads above Libor+ 150bps and total leverage above 3x

DW Europe Leveraged Loan Issuance & Pipeline Criteria

DW Issuance and Pipeline tracks new leveraged loan issuance under the following criteria:

- All LBO deals greater than EUR 150m equivalent
- Debt issued/marketed in Western Europe
- Corporate Family Rating and Issue Rating by both S&P and Moody's of speculative grade; Excludes any split-rated crossover issuers and/or issuances
- Leveraged Loans with spreads above Libor+ 150bps and total leverage above 3x

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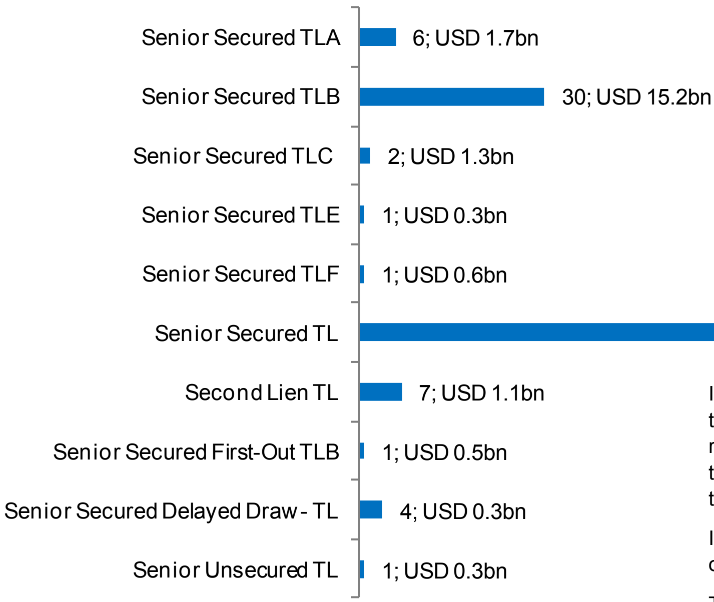
Leveraged Loans Diversification

... in North America



In the North American market during 1H10, first lien senior secured term loans were the most frequent seniority, with 80 deals totaling USD 39.8bn. In total, 32 were for refinancing purposes, 20 funded LBO financings, ten backed acquisitions, another ten financed dividend recaps, seven were exit financings, and one was for a recapitalization.

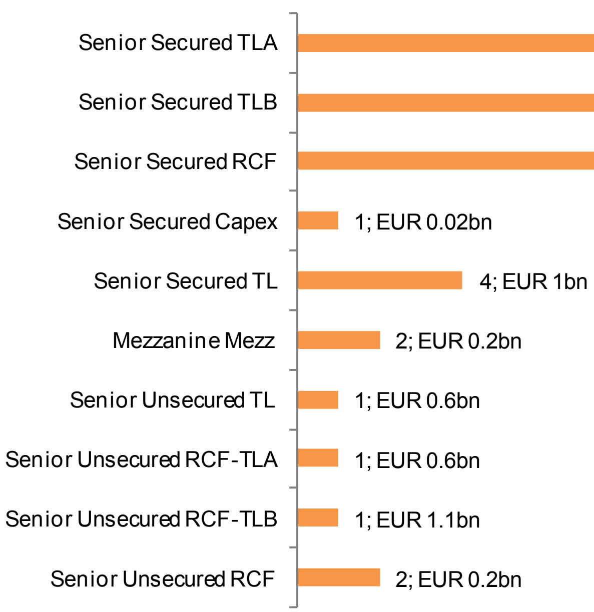
In 1H10, there were 30 senior secured TLB deals totalling USD 15.2bn. In total, 19 out of 30 deals were for refinancing purposes.

Telecommunication company - Mediacom - marketed the first USD 250m TLE and USD 550m TLF, with proceeds paying down the existing TLA.

The first and only USD 500m senior secured first out TLB was launched by Telcordia to finance a tender offer.

There was no issuance of mezzanine debt.

... in Europe



Over in Europe during 1H10, the most common leveraged loan issues were senior secured revolving credit facilities (RCFs). Total RCF issuance amounted to EUR 3.8bn from 13 tranches, financing ten leveraged buyouts (LBOs), two refinancings, and one dividend recapitalization.

In total, 11 senior secured TLBs were arranged in Europe amounting to EUR 3.8bn. US-based Phillips-Van Heusen Corporation's EUR 500m TLB financed a corporate acquisition. The remaining 10 TLBs were used to fund LBOs.

Just two sponsor-backed mezzanine tranches issued in the first six months of the year in Europe, according to Debtwire intelligence. The subordinated facilities amounted to EUR 169m to part-fund KKR's buyout of UK-based Pets At Home from Bridgepoint and Altor's acquisition of 208 pharmacies from Sweden-based Apoteket AB.

Second lien loans disappeared from the market in the first half of 2010, with no new issuance in Europe.

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Sector Statistics

1H10 North America Leveraged Loan Data by Industry

Industry	No. of Issuers	Amount Issued (USD m)	Average Libor + Spread	Average OID	Maturity (mode)
Aerospace	1	350	4.50%	99.50	2016
Automotive	2	350	7.63%	98.00	2016
Building Materials	2	480	6.38%	98.75	2015
Chemicals and Materials	5	3,515	5.60%	99.00	2016
Consumer	12	5,052	6.19%	98.91	2016
Energy	8	4,240	8.88%	97.44	2017
Financial Services	5	6,105	6.75%	98.10	2016
Food	9	3,780	6.41%	98.89	2016
Healthcare	17	6,501	6.12%	98.50	2016
Industrial	3	1,250	5.33%	99.17	2016
Leisure	7	3,785	6.00%	98.67	2016
Media	12	5,760	5.77%	98.55	2015
Paper & Packaging	9	3,823	7.42%	98.78	2016
Real Estate	2	365	5.25%	99.00	2016
Retail	5	1,569	6.00%	98.69	2016
Services	11	4,990	6.77%	98.59	2016
Technology	9	4,661	6.33%	98.86	2015
Telecommunication	12	4,060	6.70%	98.67	2016
Transportation	2	350	9.00%	98.13	2016
Total / Averages	**133**	**60,986**	**6.47%**	**98.64**	**2016**

1H10 Europe Leveraged Loan Data by Industry

Industry	No. of Issuers	Amount Issued (EUR m)	Average Libor + Spread *	Average OID	Maturity (mode)
Chemicals and materials	4	3,358	3.61%	-	2015
Consumer	6	1,391	4.46%	99.5	2016
Healthcare	6	1,344	4.67%	99	2016
Industrial	2	600	n/a	-	2015
IT	3	243	5.79%	99	2016
Manufacturing	4	212	5.51%	-	2016
Pharmaceutical	5	723	5.30%	-	2016
Retail	13	1,546	5.91%	-	2016
Services	2	1,700	n/a	-	2013
Technology	1	135	6.16%	98.5	2015
Total / Averages	**46**	**11,253**	**5.17%**	**99**	**2016**

- In North America, the weighted average spread over a US Libor floor during 1H10 on a deal due 2016 was 6.47%. In Europe, the weighted average spread over three-month Libor/Euribor on a deal due 2016 was 5.17%.
- The most active industry by volume in North America was healthcare, with 17 deals totaling USD 6.5bn, followed by media, consumer, and telecommunication with 12 issues per industry, amounting to USD 5.8bn, USD 5bn and USD 4.1bn respectively. During the same period in Europe, the most active industry was retail, with 13 issues totaling EUR 1.55bn, followed by Consumer and Healthcare - each with 6 deals - totaling EUR 1.4bn and EUR 1.3bn respectively.
- The range for spreads over base rates, original issue discounts (OIDs) and yields to maturity for deals in 1H10 were:

	in North America	*in Europe*
Libor + Spread:	3.00% - 13.50%	2.79% - 11.40%
OID:	94.0 - 100.0	98.5 - 99.0
Maturity	2011 - 2017	2012 - 2017

* Libor+ Spread calculation does not include possible interest rate floors.

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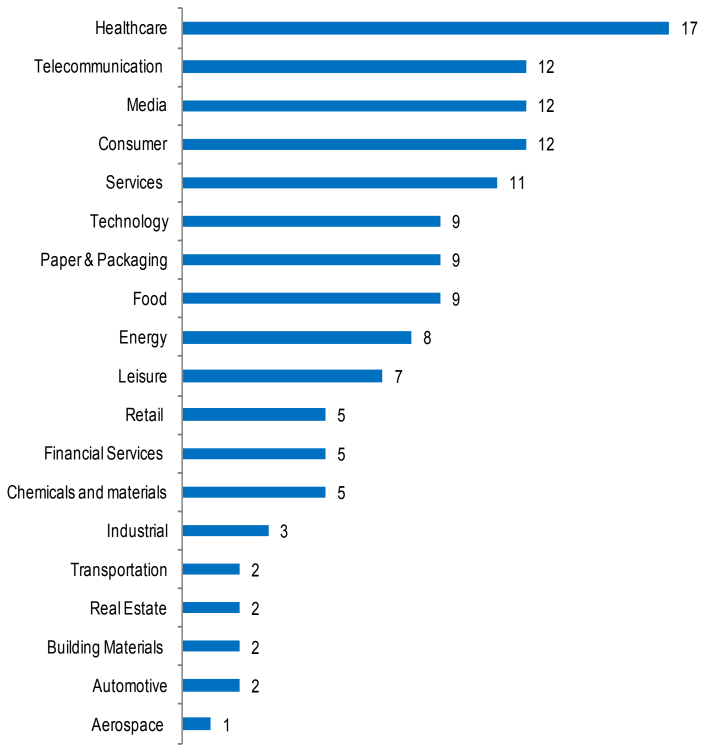
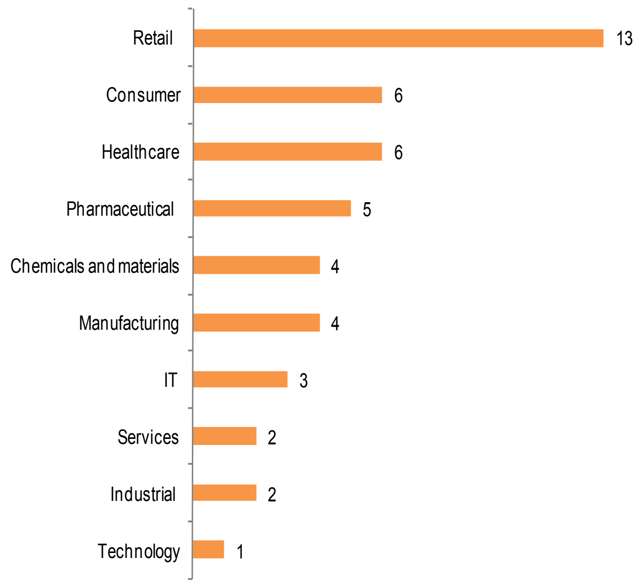
Industry Outlook

North America Issues

Europe Issues

By Volume





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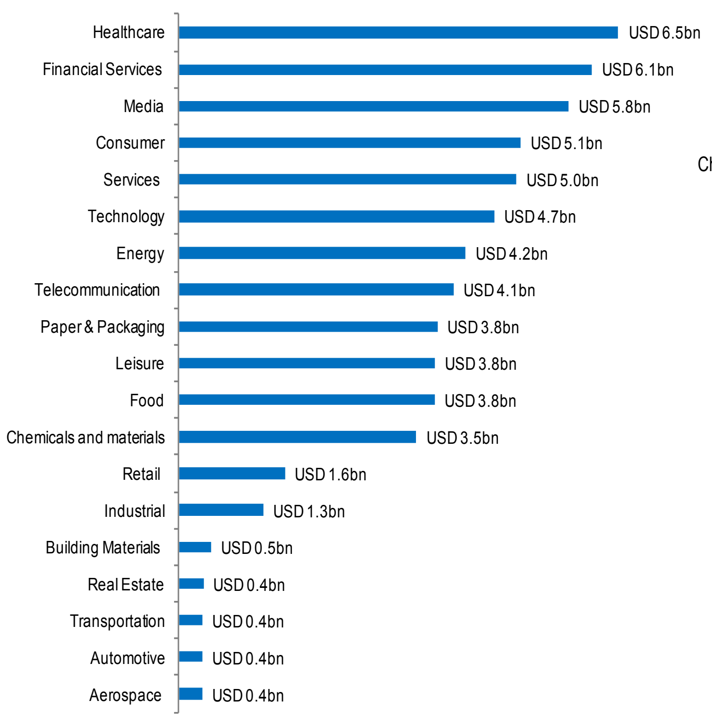
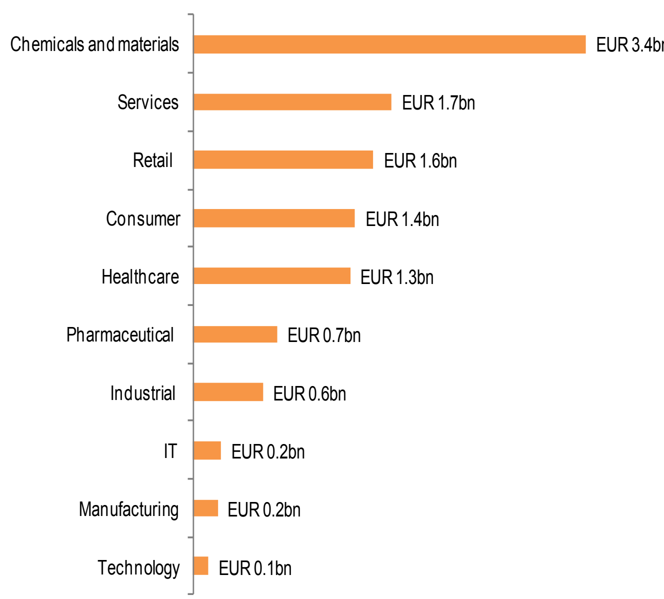
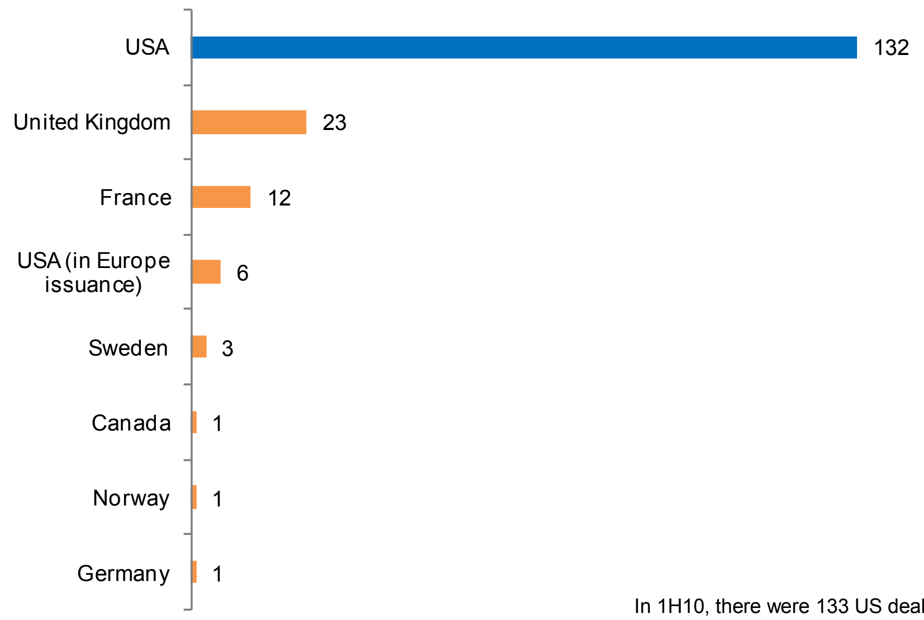




Country Outlook

Volume of Leveraged Loan Issues

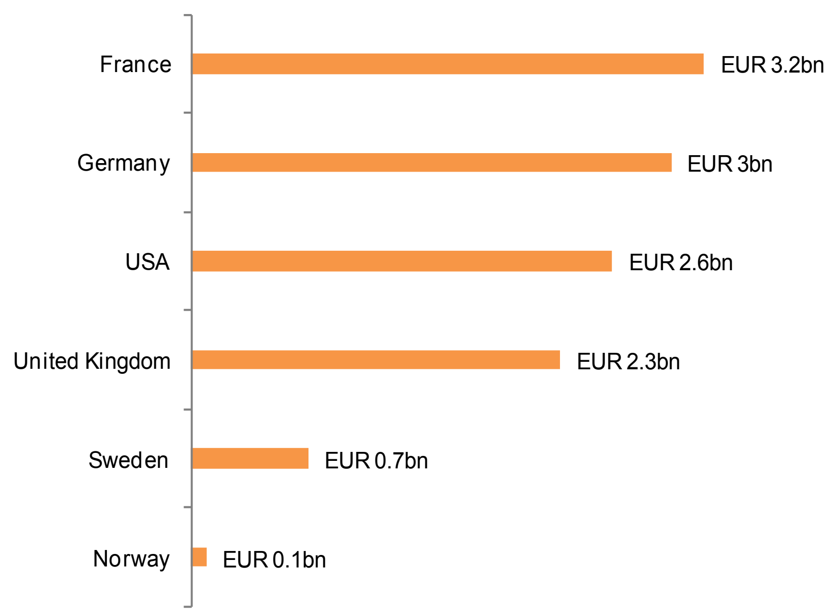


In 1H10, there were 133 US deals issued totalling USD 60.986bn.

There were five crossborder tranches of four companies: IMS Health, Skype Technologies, Fresenius and Phillips-Van Heusen Corporation; totaling EUR 2.3bn.

The UK was the most active country in Europe by volume, issuing 23 tranches amounting to EUR 2.3bn. France led the way by value, arranging EUR 3.2bn of leveraged loans, followed closely by Germany with EUR 3bn. Pets at home was the largest leveraged loan issuer in 1H10, in a GBP 510m deal which included a GBP 135m mezzanine tranche. France originated a EUR 1.7bn revolving credit facility for Rexel, while Germany boasted Heidelbergcement's EUR 3bn revolver.

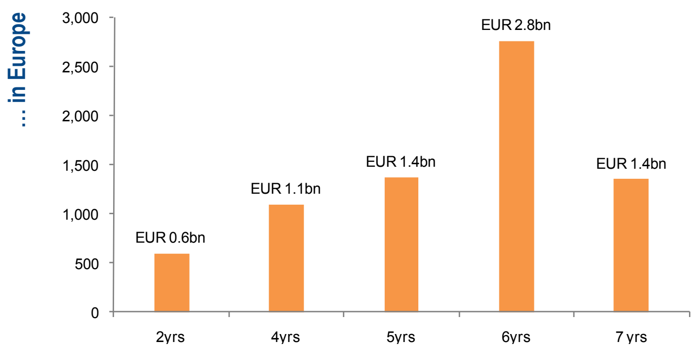
Value of Leveraged Loan Issues (Europe)

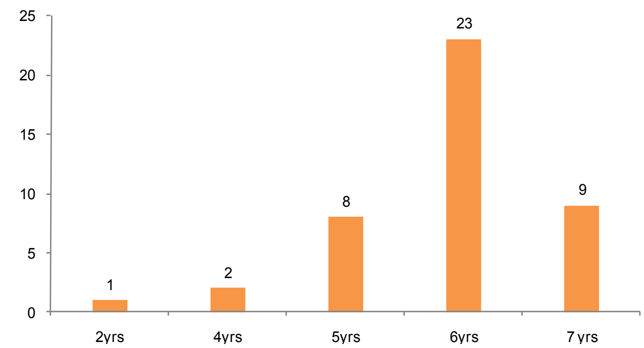


Maturity & Seniority

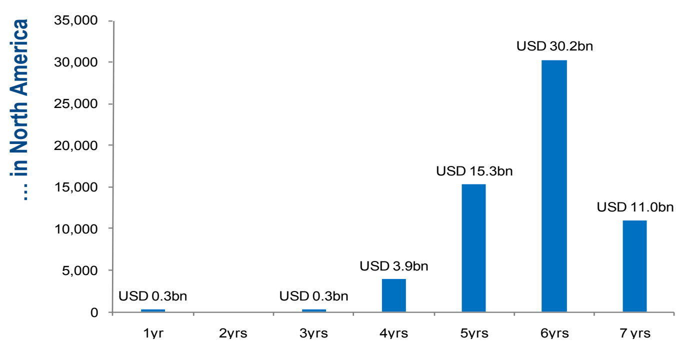
Volume of Leveraged Loan Issues

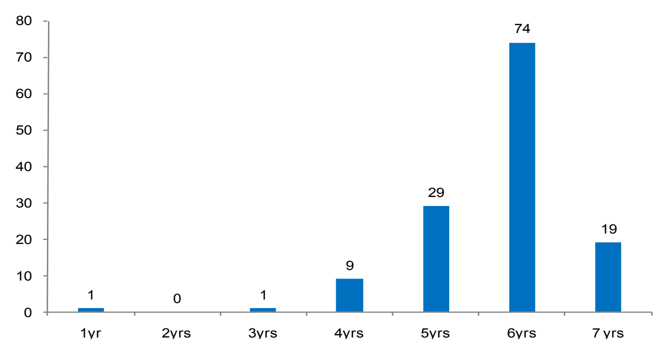
Value of Leveraged Loan Issues





Six-year loans replaced seven-year tenors as the preferred maturity in Europe in the first six months of 2010. In total, 23 six-year facilities totalled EUR 2.8bn, followed by nine seven-year loans totalling EUR 1.4bn and eight five-year tranches totalling EUR 1.4bn.



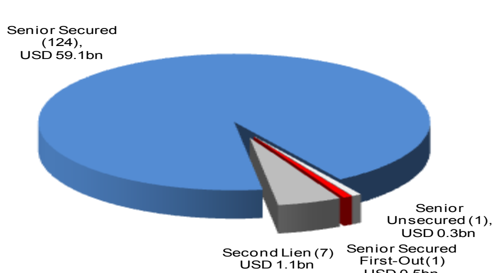


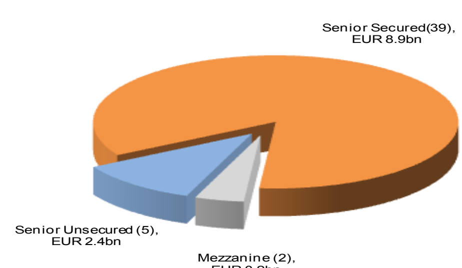
In North America, the most frequently issued maturities in 1H10 were six-year tranches (74 deals), followed by five-year tranches (29 deals). The largest volume of leveraged loans featured six-year maturities, amounting to USD 30.2bn, followed by five-year deals of USD 15.3bn and seven-year deals amounting to USD 11bn.

Seniority

In the European market during the 1H10, senior secured tranches were the most commonly issued facility with 39 deals totalling EUR 8.9bn, followed by senior unsecured tranches from five deals totalling EUR 2.4bn.

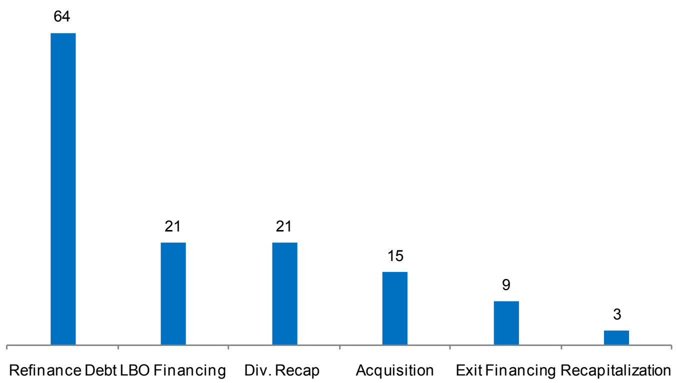
By comparison, the North American market in 1H10 was dominated by senior secured issues with 124 deals amounting to USD 59.1bn, followed by seven second lien tranches for a total amount of USD 1.1bn. There was one senior secured first–out tranche of USD 500m and a USD 300m senior unsecured credit facility. No mezzanine debt was issued during this period.





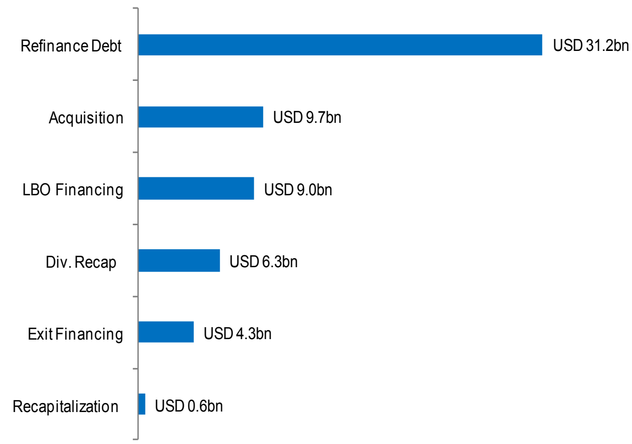
Use of Proceeds

… in North America



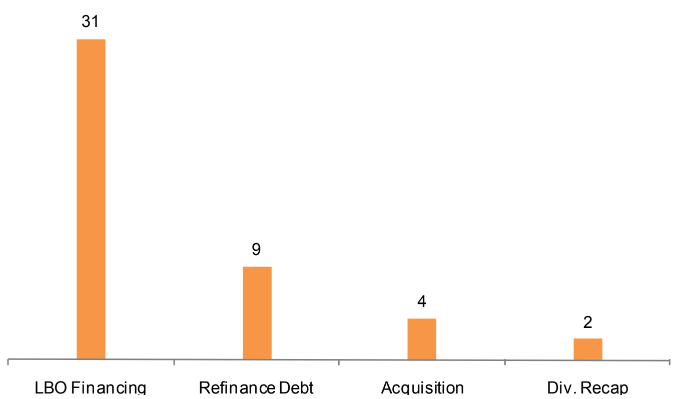
In North America, 48% of total leveraged loan issuance in 1H10 was used to refinance USD 31.2bn of debt. Across 21 new deals totalling USD 9bn, proceeds were used to fund LBO financings, while another 21 deals used to fund dividend recapitalisations for a total of USD 6.3bn.

Only 15 deals totalling USD 9.7bn were used to back acquisitions during 1H10.



While refinancings were the main reason issuers tapped the loan market, the market witnessed an increase in leveraged acquisitions and dividend issuances. IMS Health was the only LBO to top USD 1bn of loans issued with a USD 1.25bn deal including a EUR 550m carveout. Three companies raised more than USD 1bn for acquisitions, including CF Industries (USD 1.2bn), MSCI (USD 1.275bn) and New Development Holdings-Calpine (USD 1.3bn). The largest loan issues to fund dividends included Vanguard Health Systems with a USD 815m TLB and N.E.W Customer Service Company with a USD 700m TLB.

… in Europe

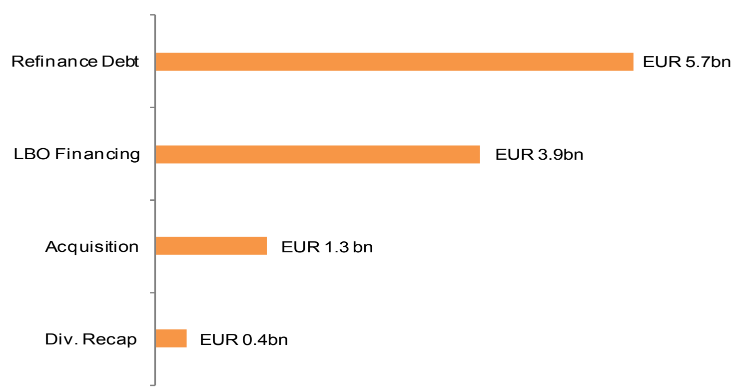


LBO debt was the most common driver for leveraged loan issuance in the first half of 2010, accounting for 31 tranches out of 46. Loans for refinancing purposes amounted to EUR 5.7bn from just nine tranches (six companies), compared to EUR 3.9bn of LBO debt from 31 facilities (11 deals).

Germany-based producer of aggregates HeidelbergCement and Rexel's EUR 3bn and EUR 1.7bn respective RCFs represented the single largest refinancing facilities. French electrical components distributor Rexel's revolver was split between a EUR 600m TLA due 2012 and EUR 1.1bn TLB due 2014.

Loan issuance to fund sponsorless M&A activities totalled EUR 1.3bn in the first half of the year from two deals: Phillips-Van Heusen's EUR 1.45bn debt package to fund its acquisition of Tommy Hilfiger and Kerling's EUR 100m senior unsecured revolver.

Matalan launched the first dividend recap since 2008, with a refinancing package comprising a GBP 250m senior secured term loan, a GBP 50m revolver and a GBP 225m seven-year bond. Proceeds refinanced Matalan's incumbent debt and funded a GBP 250m dividend to the UK retailer's controlling shareholder, the Hargreaves family. The deal was the only dividend recap to complete in Europe in the first half of 2010.



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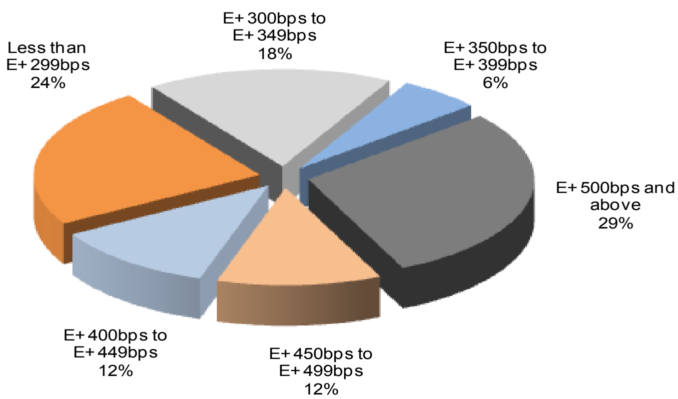
Spread Diversification

Euribor Issues

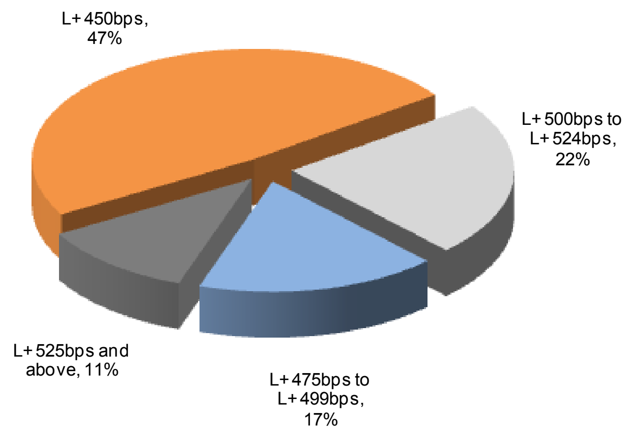


The most common spread on leveraged loans in Europe in 1H10 sat higher than 500bps over three-month Euribor, representing 29% of total deal volume in Europe. This was followed by deals with spreads less than 299bps over three-month Euribor, representing 24% of total deals.

In 1H10, the weighted average spread over three-month Euribor dropped from 425bps in 1Q10 to 443bps over three-month Euribor in 2Q10 from 15 euro-dominated tranches.

The weighted average spread on TLAs stood at 439bps over three-month Euribor. For all TLBs, the average was 464bps over three-month Euribor.

GBP Libor Issues

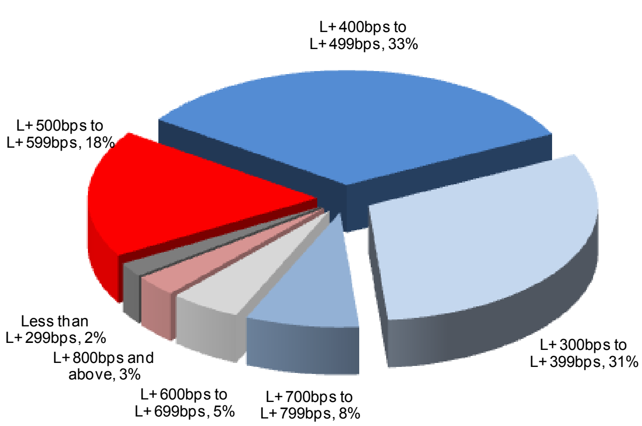


On the sterling-denominated loan market, nine out of 19 sterling-denominated facilities offered a spread of 450bps over three-month Libor.

The weighted average spread on sterling-denominated TLAs was 455bps over three-month GBP Libor in 1H10. TLBs were marketed with a weighted average spread of 505bps over three-month GBP Libor.

Pets at Home completed the only sterling-denominated mezzanine tranche of GBP 135m, paying 10.75% split between cash and PIK margins.

USD Libor Issues



On US dollar-denominated loans, 33% of the new loan issues fell in the range of 400bps and 499bps above a Libor floor, 31% between 300bps and 399bps above a Libor floor, and 18% between 500bps and 599bps above a Libor floor.

In 1H10, the average OID for deal spreads in the range of Libor floor + 400bps to 499bps was 98.68.

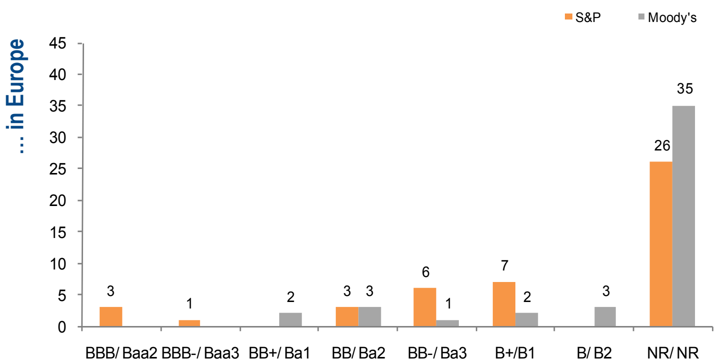
In 1H10, TLAs had an average spread of 342bps over a Libor floor and an average OID of 99.5.

In total, 12 TLB deals were completed in 1Q10 with an average spread of 396bps over a Libor floor versus 19 TLB deals completed in 2Q10 with an average spread of 421bps over a Libor floor. Average OIDs offered to TLB investors in 1Q10 was 98.85 vs. 98.69 in 2Q10, adding to yields.

There were three crossborder deals in 1Q10, with IMS Health sporting a Libor floor of 175bps and an OID of 99 and only one crossborder deal in 2Q10 from Phillips-Van Heusen with a Libor floor of 175bps and 99.5 OID.

S&P and Moody's Issue Ratings

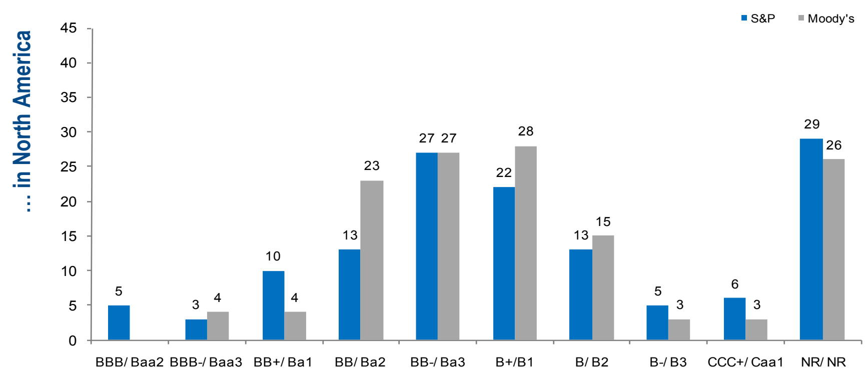
Number of Loan Issues by Rating



In Europe, new primary issues ranged from 'B/B2' to 'BBB/Baa2', but the majority of facilities were unrated. There were 26 European new tranches not rated from S&P and another 35 not rated by Moody's.

Moody's and S&P mostly rated crossborder deals including IMS Health, Skype Technologies, Fresenius and Phillips-Van Heusen Corporation and most of the revolvers from debt refinancings during this period.

Of those deals rated in North America, most fell into the 'BB-/Ba3' and 'B+/B1' rating categories. The only deal to receive an investment grade rating was Del Monte with a 'BBB-/Baa3' on its term loan issuance. Its corporate family rating is 'BB/Ba2'. Companies that received split ratings include AWAS Aviation, CF Industries, ILFC, Lamar Advertising, Triumph Group and the cross-border deals from Fresenius SE and Phillips-Van Heusen.



North America Moody's Statistics

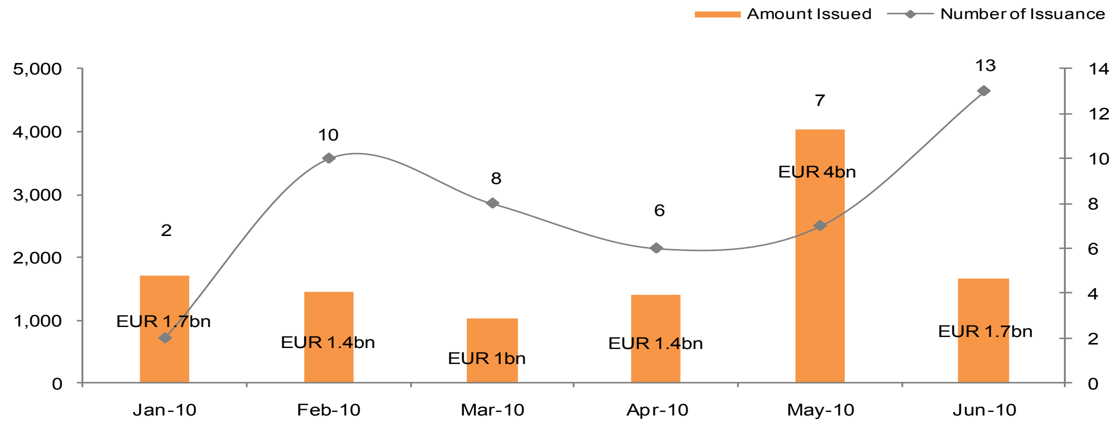
Rating	# Issues	Amount	Average Libor Floor+ Spread	Average OID
Baa3	4	1,825	3.92%	99.75
Ba1	4	2,135	5.31%	98.88
Ba2	23	12,920	5.60%	98.70
Ba3	27	14,840	5.98%	98.70
B1	28	11,433	6.44%	98.58
B2	15	5,698	7.83%	98.00
B3	3	475	10.00%	97.75
Caa1	3	390	11.00%	98.17

North America S&P Statistics

Rating	# Issues	Amount	Average Libor Floor+ Spread	Average OID
BBB	5	3,500	5.60%	98.90
BBB-	3	2,126	6.13%	99.00
BB+	10	4,670	5.92%	98.67
BB	13	7,795	5.06%	99.14
BB-	27	13,990	5.50%	98.89
B+	22	8,278	6.47%	98.56
B	13	4,088	7.06%	98.35
B-	5	1,165	7.13%	98.90
CCC+	6	1,085	10.33%	98.04

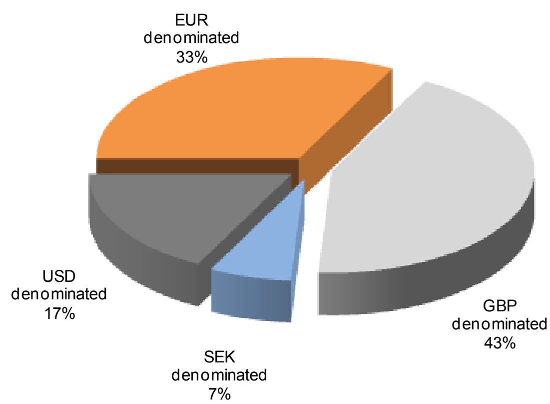
Monthly Overview

European Leveraged Loan Issuance by Volume and Value

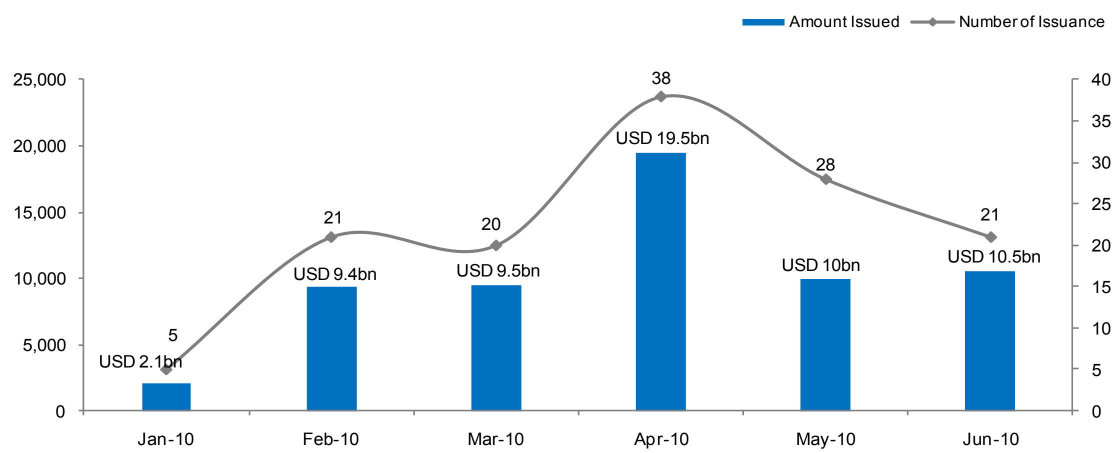


In Europe, dealflow in 2010 started with Rexel's two tranches in January, before gaining momentum in February with ten tranches from five deals. Loan values reached a high in May, with facilities totalling EUR 4bn. HeidelbergCement's EUR 3bn revolver for refinancing purposes was the main contributor to February's total. Sponsor-to-sponsor buyouts peaked in June with 13 new loans from five deals amounting to EUR 1.7bn.

European leveraged loan tranches issued in the first half of 2010 were split between 43% sterling-denominated facilities, followed by 33% euro-denominated tranches and 17% US dollar-denominated loans. Swedish Krona-denominated tranches represented a 7% share of the total pool, comprising Apotek Hjaartat's SEK 2.64bn LBO financing and Ambea's SEK 4.3bn LBO debt.



North America Leveraged Loan Issuance by Volume and Value



In North America, the leveraged loan market started off quietly with only five tranches in January, but picked up pace each month thereafter with at least 20 loans in each subsequent month. April was the busiest month with 38 facilities for approximately USD 19.5bn. That month was bolstered by several deals: USD 1.3bn from MSCI, USD 1.2bn from CF Industries, USD 1.8bn from Reynolds & Reynolds, and USD 3bn from American General Finance.

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