

Credit Markets: 2011 Review and 2012 Outlook

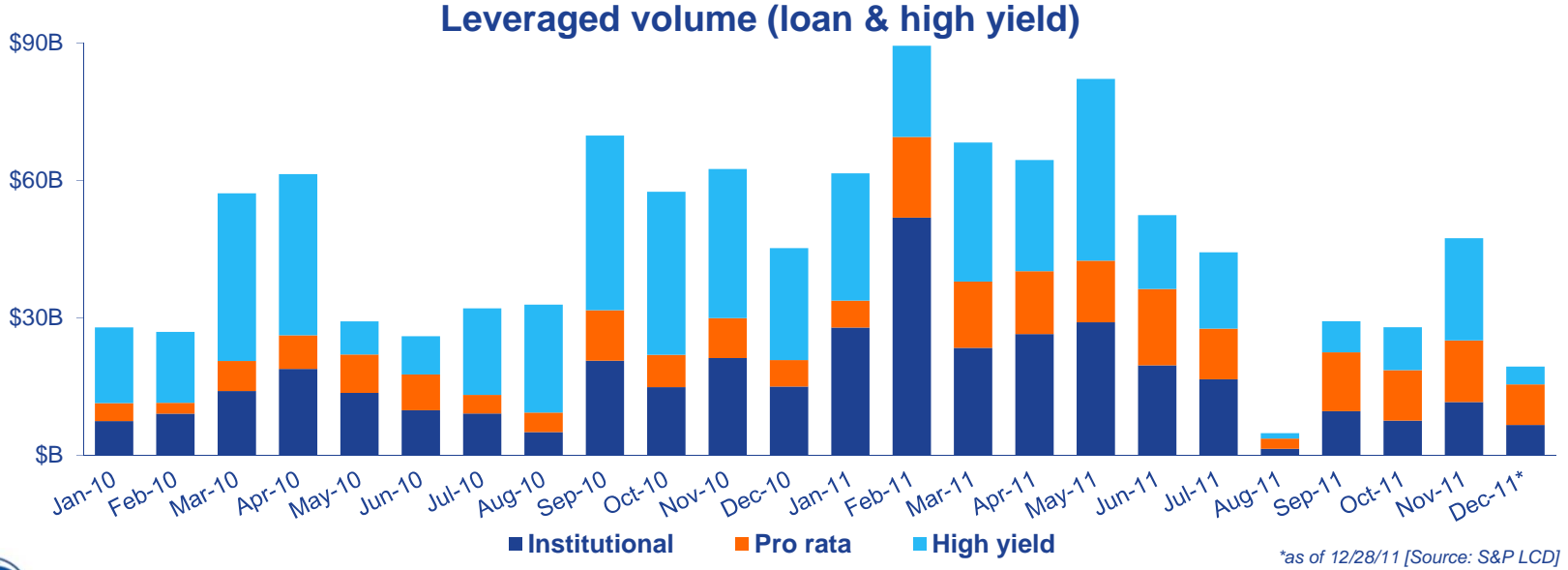
Daniel Damon
Managing Director
GE Capital Markets, Inc.

JEGI Media & Technology Conference
January 19, 2012



2011 in Review

- The leveraged loan market was volatile in 2011, but ended with positive momentum. 2011 volume of \$373B was up 60% over 2010 and was the 3rd highest amount ever.
- Refinancings made up 54% of overall volume, with Acquisitions accounting for 17%, LBO's 14% and Dividend Recaps 7%.
- 2011 ended with an average B+/B yield of 7.28% → equivalent to L+578 with 1.50% LIBOR floor.
- Default rates remained near historical lows, ending the year at 0.21%.



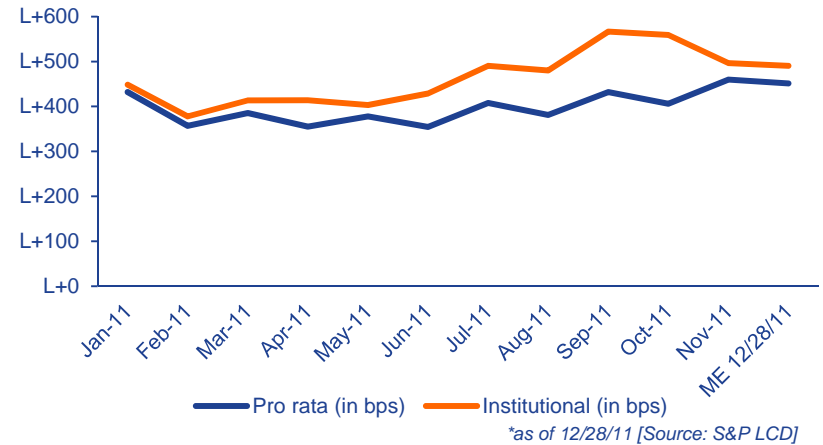
Pricing

- Pricing varies greatly for “B” rated credits; institutional deals pricing:

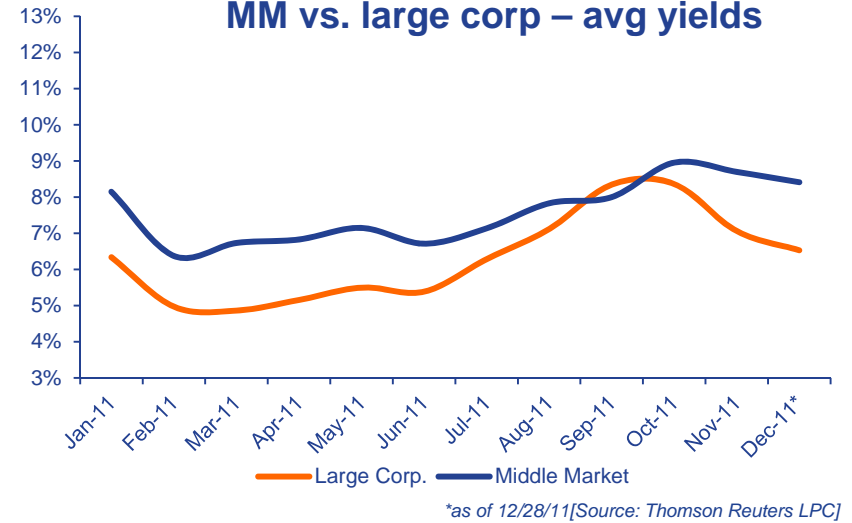
	BB	B
Yields (%)	4.75 – 6.0	6.5 – 9.5
Spreads (bps)	325 – 425	450 – 700
Libor Floors (bps)	115	150

- Barring major issues from Europe, yields are expected to be under downward pressure in Jan ‘12.
- Second lien pricing remains high relative to first lien debt (12% to 16%).
- Mezzanine pricing is generally ~14% (12% cash; 2% PIK), plus equity co-invest.

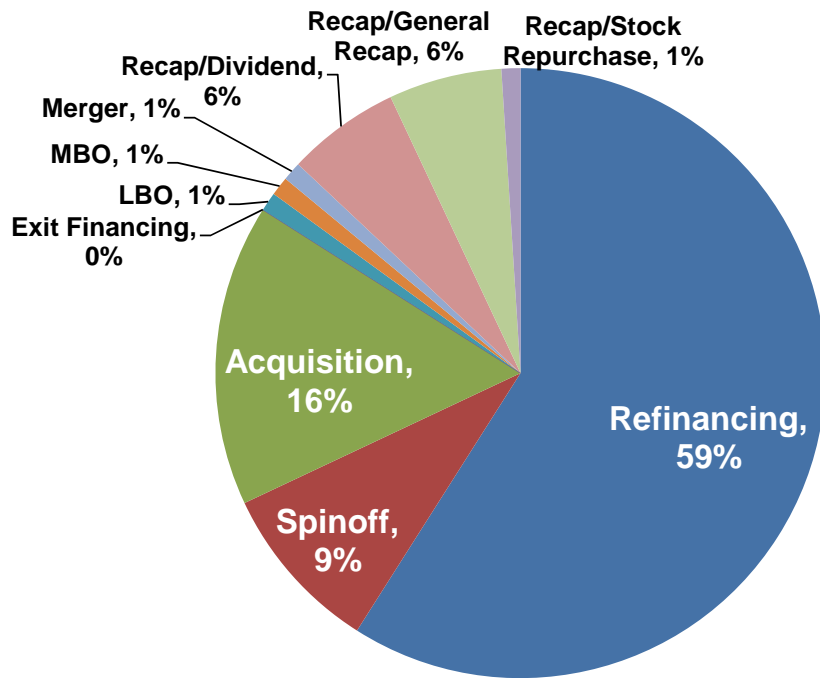
New issue first lien spreads



MM vs. large corp – avg yields

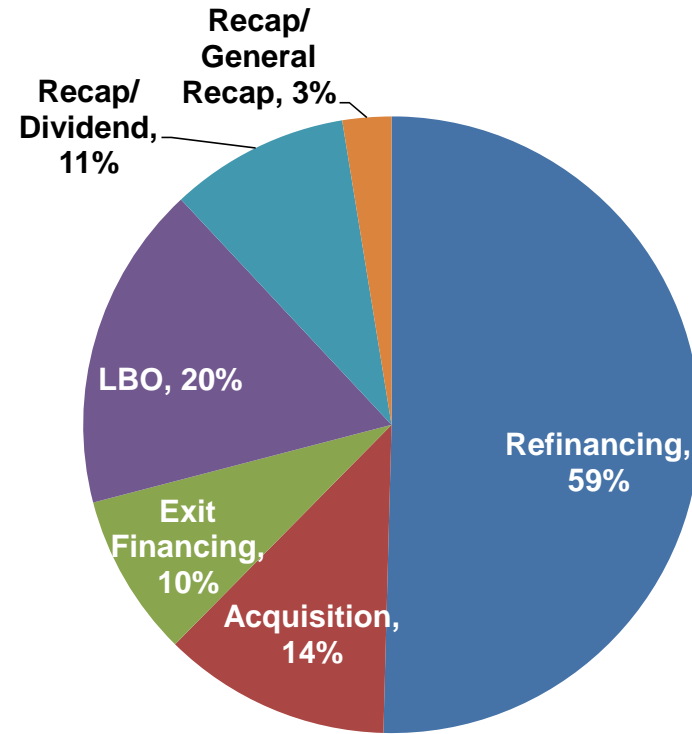


Media Volume by Purpose



2011 Volume: \$24.9B

[Source: S&P LCD]



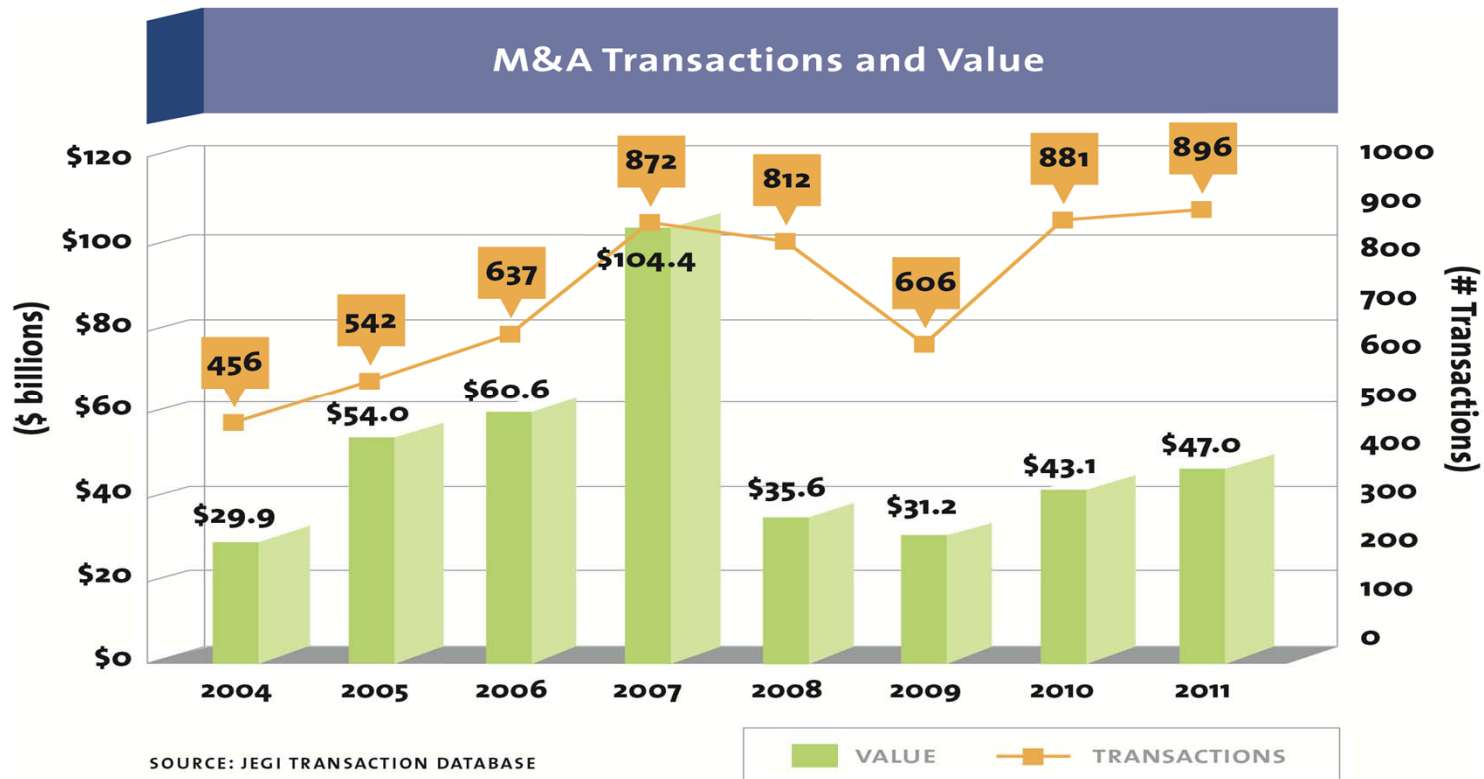
2010 Volume: \$15.2B

[Source: S&P LCD]

Media, Information, Marketing Services and Technology Sectors M&A Overview

~900 transactions in 2011 totaling \$47B

- 9% rise in deal value in 2011 over 2010
- Technology, Marketing & Interactive Services were the main drivers of growth for M&A in 2011, accounting for 32% of deal value



Media, Information, Marketing Services and Technology Sectors – Lending Market Overview

Key Lending Characteristics

- High Barriers to Entry
- Competitive Differentiation
- Product Diversification
- Low Customer/End Market Concentrations
- High Renewal Rates
- Contracted Revenue
- Low Maintenance Capital Expenditures
- Revenue Visibility

Media, Information, Marketing Services and Technology Sectors – Lending Market Overview

Size Matters

- EBITDA \geq \$15MM - \$20MM
- Revenue \geq \$75MM - \$100MM

Representative Sectors

- Databases
- Information Services (Financial)
- E-Commerce Services
- Education Software / On-Line Education
- Outsourced Customer Services
- Marketing Services

Media, Information, Marketing Services and Technology Sectors – Case Study A

Company A

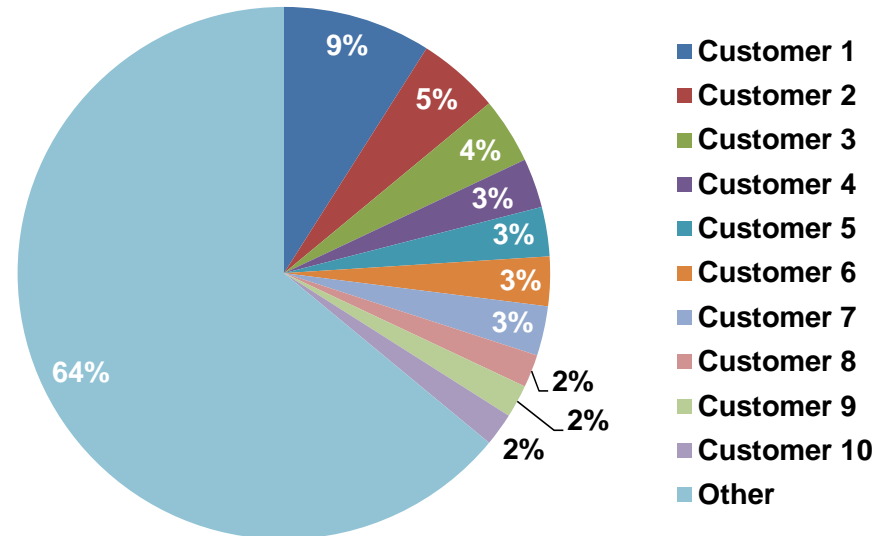
- Provides Multichannel Marketing Services
- **Revenue / EBITDA:**
 - ✓ ~\$200MM / ~\$35MM
- **Leverage:**
 - ✓ 3.30x Sr. / Total
- **Facilities:**
 - ✓ \$10MM RC, \$115MM TL,
- **Pricing:**
 - ✓ L+600 @ 98, 1.0% floor, 5 years
- **Lenders:**
 - ✓ 6
- **Acquisition Multiple:**
 - ✓ ~5.6x

Media, Information, Marketing Services and Technology Sectors – Case Study A

Key Attributes

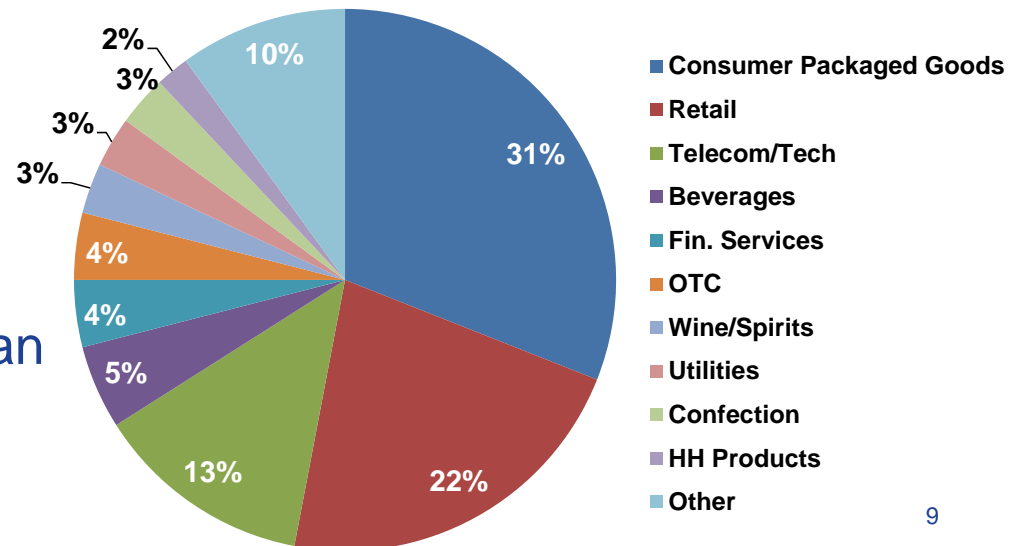
- **Diversified Customer Base:**

- ✓ Diversified customer base with no single customer accounting for more than 9% of revenue
- ✓ Top 10 customers account for less than 40% of revenue



- **Diversified Sectors:**

- ✓ Customer base made up of Fortune 500 companies
- ✓ No sector represents more than 31% of revenue



Media, Information, Marketing Services and Technology Sectors – Case Study B

Company B

- Provider of customized integrated software to capital intensive businesses
- **Revenue / EBITDA:**
 - ✓ ~\$35MM / ~\$20MM
- **Leverage:**
 - ✓ 2.0x Sr. / Total
- **Facilities:**
 - ✓ \$2MM RC, \$42MM TL
- **Pricing:**
 - ✓ L+550 @ 98, 2.0% floor, 5 years
- **Lenders:**
 - ✓ 2
- **Acquisition Multiple:**
 - ✓ ~7x



Media, Information, Marketing Services and Technology Sectors – Case Study B

Key Attributes

- **High Renewal Rate:**
 - ✓ 90% of clients have renewed contracts since inception due to criticality of solution provided
- **Strong Market Share:**
 - ✓ ~81% market share in core vertical
- **Barriers to Entry:**
 - ✓ Timely process and Large CapEx required
- **Variable Cost Model:**
 - ✓ ~70% of expenses are related to salaries, bonuses and benefits

Media, Information, Marketing Services and Technology Sectors – Case Study C

Company C

- Provides financial markets related data and software solutions
- **Revenue / EBITDA:**
 - ✓ ~\$125MM / ~\$35MM
- **Leverage:**
 - ✓ 3.1x / 6.25x
- **Facilities and Pricing:**
 - ✓ \$20MM RC, \$115MM cov-lite TL, \$105MM Mezzanine
- **Pricing:**
 - ✓ L+650 @ 98, 1.5% floor
- **Acquisition Multiple:**
 - ✓ ~12-12.5x



Key Takeaways

- Debt markets more receptive to Media, Information, Marketing Services and Technology sectors
- Multichannel media platforms with diversified revenue streams will be more attractive than single solution models
- Technological and secular trends have increased awareness
- Continued fragmentation in traditional media creates financing opportunities
- Further diversification of debt portfolios away from traditional media is still needed
- Increased activity in growth sectors, as well as improved performances in traditional media sectors, provide for a favorable financing environment

Looking Ahead to 2012

- Anticipate a slow start to 2012 for the leveraged loan market.
 - Market players are exercising caution due to economic and geopolitical factors.
- The pipeline is at a 22-month low; as a result, expectations are that opportunistic deals, such as dividends and refinancings, will surface in early 2012.
- Large LBO volume predicted to be limited in the near term.
- Middle market activity expected to continue at a decent rate in early 2012.
- Financing opportunities will be available to growing, sustainable businesses in this space.

League tables

2011 U.S. LBO bookrunner

Rank	Financial institution	Bookrunner volume	# of deals
1	General Electric Capital Corporation	3,921,357,232	43
2	Bank of America Merrill Lynch	7,537,624,872	25
3	BMO Capital Markets	2,259,450,000	24
4	RBC Capital Markets	5,188,279,167	22
5	Credit Suisse	8,069,962,500	21
6	Barclays Bank Plc	5,508,245,704	19
6	Golub Capital	803,700,000	19
6	Madison Capital Funding LLC	792,750,000	19
9	UBS AG	2,736,083,333	14
10	Deutsche Bank	3,377,750,000	13

2011 U.S. middle market sponsored bookrunner

Rank	Financial institution	Bookrunner Volume	# of deals
1	General Electric Capital Corporation	10,205,618,853	128
2	Bank of America Merrill Lynch	6,189,428,331	64
3	Wells Fargo & Company	5,173,081,000	58
4	Madison Capital Funding LLC	2,289,520,500	57
5	BMO Capital Markets	3,309,800,001	51
6	SunTrust Bank	2,714,732,040	43
7	Credit Suisse	4,806,333,333	31
7	PNC Bank	1,599,221,429	31
9	Golub Capital	1,448,049,998	30
10	NXT Capital LLC	646,083,332	20

2011 U.S. large middle market institutional bookrunner

Rank	Financial institution	Bookrunner volume	# of deals
1	General Electric Capital Corporation	4,401,144,166	41
2	Credit Suisse	5,527,000,000	33
3	Bank of America Merrill Lynch	2,021,717,166	21
4	Wells Fargo & Company	1,548,672,167	19
5	Jefferies Finance LLC	2,506,083,333	17
6	RBC Capital Markets	2,331,416,667	16
7	BMO Capital Markets	1,574,916,667	15
8	Barclays Bank Plc	1,699,833,333	14
9	SunTrust Bank	916,416,667	13
10	Deutsche Bank	1,242,916,667	11

2011 U.S. sponsored bookrunner

Rank	Financial institution	Bookrunner volume	# of deals
1	Bank of America Merrill Lynch	42,090,951,649	196
2	General Electric Capital Corporation	13,196,890,665	155
3	Wells Fargo & Company	21,184,564,129	137
4	JP Morgan	26,220,881,925	99
5	Credit Suisse	35,374,654,752	94
6	Barclays Bank Plc	25,804,896,180	92
7	Deutsche Bank	19,272,366,801	73
8	SunTrust Bank	6,091,898,706	65
9	BMO Capital Markets	4,618,466,669	60
9	Madison Capital Funding LLC	2,445,220,500	60

Source: Thomson Reuters LPC



GE Confidential - Distribute to authorized individuals only.

Disclaimer

The materials presented herein are proprietary to General Electric Capital Corporation and its affiliates (collectively, “GE Capital”), are confidential, or subject to licensing agreements, and may not be disclosed to any other party without the prior written consent of GE Capital.

These materials are being provided solely for informational purposes and are not intended to be a recommendation or advice of any kind, and shall not be construed to create any fiduciary, advisory or other relationship, or the provision of any investment advice or service. These materials are not, and should not be construed to be, a proposal, a commitment, or a contract to lend, provide any financing, or sell any securities or financial instruments, or an offer to enter into any of the foregoing, and shall not be deemed to obligate GE Capital in any manner whatsoever.

GE Capital does not represent or warrant the accuracy, completeness or reliability of any of the information contained herein, either expressly or impliedly, for any particular purpose, and shall have no duty to update or correct any such information. Recipient agrees that it will not rely on the information contained herein, and will conduct its own due diligence. In no event will GE Capital be liable for any losses or damages arising from or as a result of the use of the information or the materials contained herein.

GE Capital Markets, Inc. (“GE Capital Markets”), a subsidiary of GE Capital, is a registered broker-dealer with the U.S. Securities and Exchange Commission and is a member of FINRA and SIPC. Syndicated loan arranging and other securities transactions are performed by GE Capital Markets, and lending and other commercial banking activities are performed by GE Capital. Affiliates of GE Capital Markets may have lending relationships with issuers of securities and other financial instruments that have been underwritten, privately placed, or dealt in by GE Capital Markets.

