

Private Equity Club 2007

Tuesday 16 October

Financing and re-financing –
are the banks open for business?

PRICEWATERHOUSECOOPERS 

Agenda

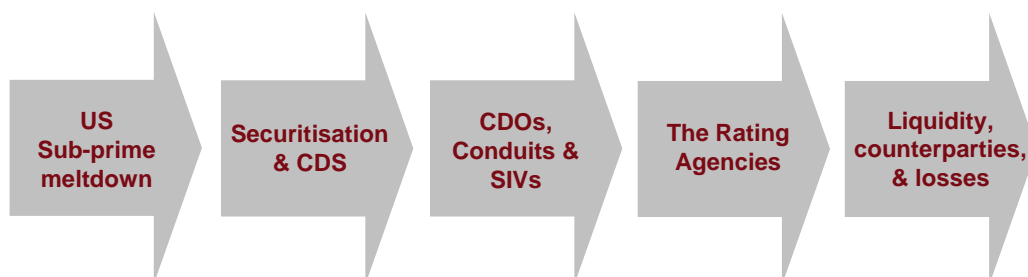
- Paralysis in Global Credit Markets? *Jason Green, PwC*
- June 2007...A High Water Mark *James Inglis, GE*
- July – September ...What Happened? *James Inglis, GE*
- What's Next? *Adam Hewson, GE*

Jason Green

Paralysis in Global Credit Markets?

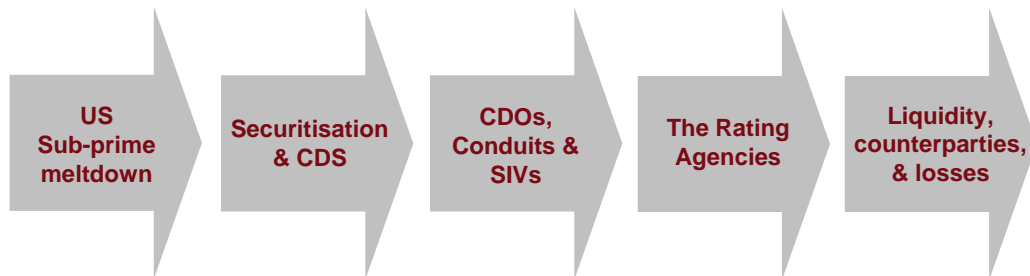
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Tracking US subprime mortgages to Euro leveraged loans



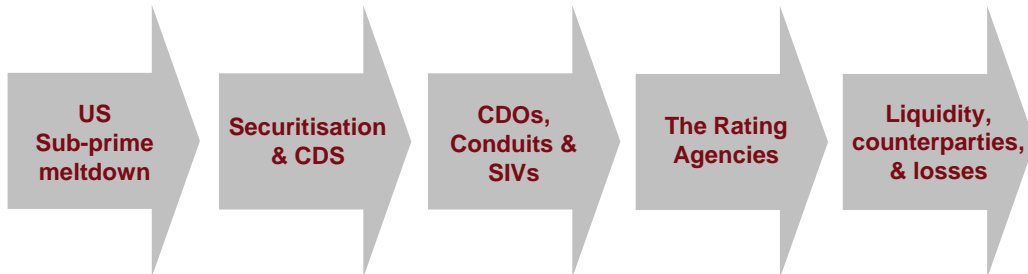
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Tracking US subprime mortgages to Euro leveraged loans



Sentiment or Fundamentals?

Tracking US subprime mortgages to Euro leveraged loans



<i>Sentiment or Fundamentals?</i>
<i>Liquidity or Solvency?</i>

James Inglis

June 2007...A high water mark

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Global Leader in Sponsor Finance

EUROPE

Selected Transactions

<p>€830,000,000 Senior and Revolving Credit Facilities to support Leverage Buyout of Man Roland AG by Allianz Capital</p> <p>Mandated Lead Arranger</p>  <p>August 2006</p>	<p>€2,800,000,000 Senior Credit Facilities to support the Refinancing of Numericable by Citicorp</p> <p>Mandated Lead Arranger</p>  <p>August 2006</p>	<p>€100,000,000 Senior and Second Lien Secured Credit Facilities to support the Refinancing of Target Express by J&F and Gresham</p> <p>Sole Mandated Lead Arranger & Bookrunner</p>  <p>September 2006</p>	<p>€2,100,000,000 Senior, 2nd Lien and Mezzanine Facilities to support the Leverage Buyout of Avio Spa by Citicorp</p> <p>Senior Joint Lead Arranger</p>  <p>December 2006</p>
<p>€3,970,000,000 Senior Secured Facility to support the Leverage Buyout of TSBF/Infusion de France by TPG & Axa</p> <p>Joint Lead Arranger</p>  <p>December 2006</p>	<p>€5,700,000,000 Senior Credit Facilities to support the Leverage Buyout of Nycomed</p> <p>Joint Lead Arranger</p>  <p>December 2006</p>	<p>€750,000,000 Senior Credit Facilities to support the Leverage Buyout of Consolis by LBO France</p> <p>Joint Lead Arranger</p>  <p>March 2007</p>	<p>€95,000,000 Senior and Mezzanine Credit Facilities to support the leveraged buy out of Barmans Group by Quadriga</p> <p>Mandated Lead Arranger</p>  <p>May 2007</p>
<p>€169,000,000 Senior and Second Lien Credit Facilities to support the Leveraged Buyout of Global Design Technologies by Bridgepoint</p> <p>Mandated Lead Arranger and Bookrunner</p>  <p>Pending</p>	<p>€54,000,000 Senior, Second Lien and Mezzanine Credit Facilities to support the Leveraged Buyout of Gambio Healthcare by Bridgepoint</p> <p>Mandated Lead Arranger</p>  <p>Pending</p>	<p>€3,600,000,000 Senior Credit Facilities to support ONO</p> <p>Mandated Lead Arranger</p>  <p>Pending</p>	<p>€83,000,000 Senior and Mezzanine Credit Facilities to support the Leveraged Buyout of DocuGroup by GMI</p> <p>Sole Mandated Lead Arranger and Bookrunner</p>  <p>Pending</p>

Europe: Bob Stefanowski

- Team of over 50 Finance Professionals
- Total Loan Portfolio of \$5.6B
- Dedicated Capital Markets team of 10 people
- Offices in London, Frankfurt, Paris & Milan.

NORTH AMERICA

US League Table Ranking

	\$M	# of Deals
1 JP Morgan	46535	131
2 Credit Suisse	41022	109
3 GE	9161	97
4 Bank of America	27934	86
5 Wachovia Securities	9747	66
6 Goldman Sachs	21240	54
7 Deutsche Bank	22022	44
8 UBS	9027	44
9 Citigroup	18444	36
10 Lehman Brothers	8387	25

U.S. Sponsor Lead Arranger—2006
by # of deals

North America: Stuart Aronson

- Team of over 250 finance professionals
- Total leverage Loan portfolio of over \$16B
- Market Leader for Mid Cap transactions

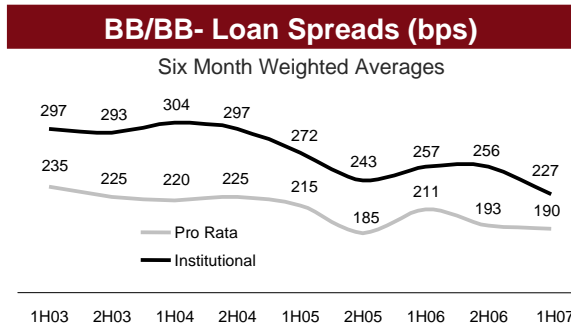
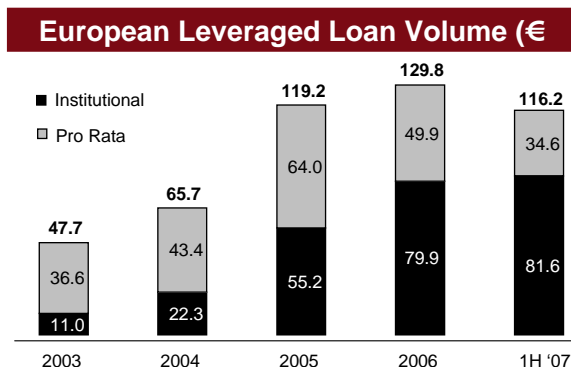
1H'07 Broke Records As the supply vs. demand equation continued to favour issuers ...

Volume	1H '07	1H '06	2006	2005
Total Loan Volume	€ 116B	€ 74B	€ 130B	€ 119B
Institutional	€ 82B	€ 44B	€ 80B	€ 55B
Pro-rata	€ 35B	€ 29B	€ 50B	€ 64B
LBO	€ 105B	€ 61B	€ 115B	€ 104B
Mezzanine	€ 5.4B	€ 5.2B	€ 12.2B	€ 8.9B
Second-lien	€ 9.3B	€ 4.1B	€ 7.7B	€ 5.3B
Covenant-lite	€ 8.0B			

Pricing/Spreads	1H '07	1H '06	2006	2005
Pro-Rata (BB/BB-)	L+190	L+211	L+193	L+185
Institutional (BB/BB-)	L+227	L+257	L+256	L+243
2ndry Break Price (Sr)	100.9	101.3	101.0	101.3

Key Liquidity Metrics	1H '07	1H '06	2006	2005
Avg Institutional Share*	78%	54%	56%	53%
US 12 Mth Default Rate	0.15%	2.28%	0.48%	3.02%

“Through June '07 volume records broken ... supply/demand favored borrowers ... low default rates & historically low pricing remain”

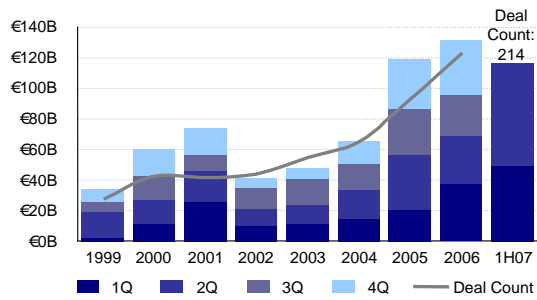


* Average percent of each transaction allocated to TLB or TLC.
Source: LCD European Leveraged Loan Review

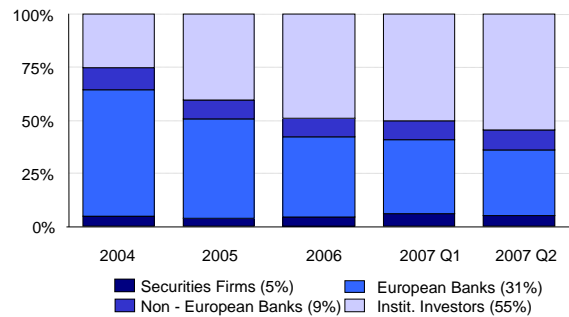
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... Structural Flexibility Driven By Robust Market & Strong Technical Conditions ...

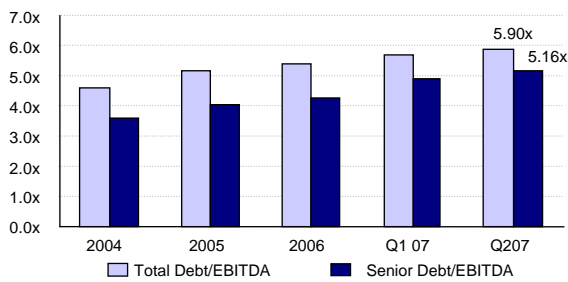
Quarterly Volume Growth



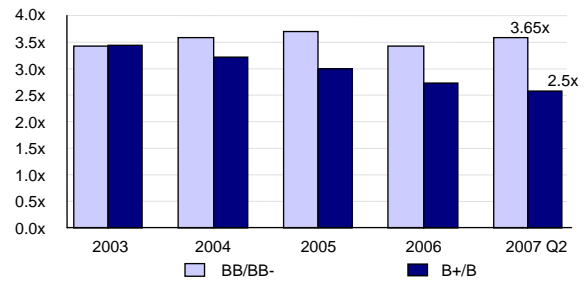
Investors Type by Volume



Leverage



Average EBITDA to Interest



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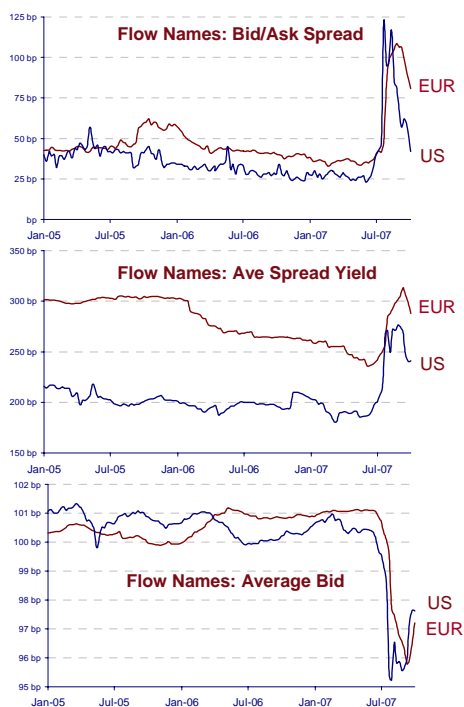
James Inglis

July – September ... What Happened?

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Resounding Global Halt In New Deal Volume Clearing The Market

Secondary Loan Spreads (Europe & US)



Source: LCD European Leveraged Loan Review

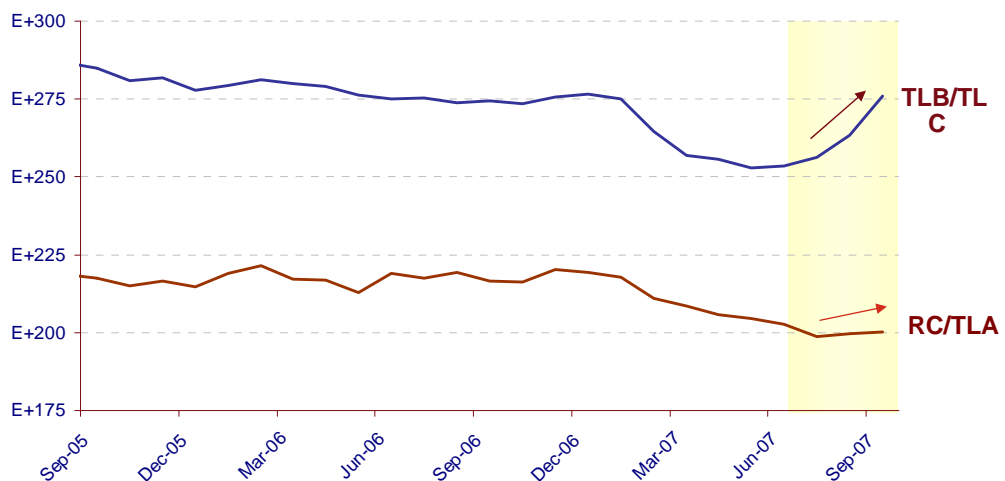
Notable Transaction's Pulled/Delayed

US Borrowers	Amount	Comment
Alltel	\$23.2B	- Transaction launch delayed
Cablevision	\$9.2B	- Transaction launch delayed
Chrysler	\$12.0B	- Pulled from market; bridge financing in place
Chrysler Financial	\$8.0B	- Transaction still seeking clearing price/structure
Clear Channel	\$22.1B	- Transaction launch delayed
First Data	\$16.0B	- Transaction launch delayed
Harrah's Ent.	\$9.0B	- Transaction launch delayed
Sallie Mae	\$16.5B	- Transaction launch delayed
Expedia	\$3.0B	- Share buy back reduced to \$750MM
European Borrowers		
Alliance Boots	£9.02B	- £7.27B of Sr debt withdrawn; flexed jr capital
Saga/AA	£4.80B	- Re-launch still expected when market stabilises
Maxeda	€1.08B	- Pulled from market
Springer Sci & Business Media	€1.77B	- Pulled from market
Camaieu	€1.17B	- Reduced amount of facilities during syndication
Telenet	€2.30B	- Out to relationship banks; determining structure
Paroc	€0.83B	- Flexed: Increased margins & offering 50bps OID
phs	€1.03B	- Reduced amount of facilities. Flexed: Increased margins & offering 50bps OID
Zodiac	€1.18B	- Incr. Margins, added 100bps OID, tightened doc's

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The Stalemate Started To Impact Primary Spreads

Average European New Issue Spreads

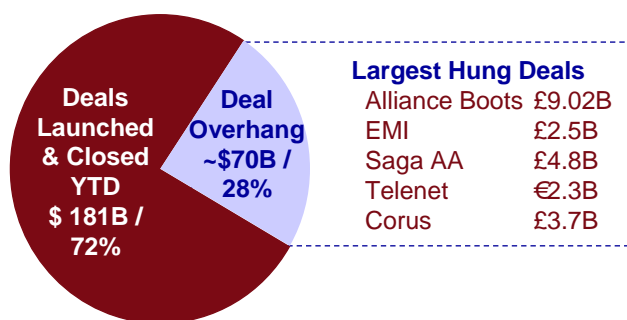


- Increase in spreads largely due to a rise in upward flexes. All TLB tranches in September carried at least 275bps with NO downward flexes seen since beginning of July. In 1H07, 80 deals flexed down vs 5 in Q3, all of which were in July
- Weighted average institutional spread increased from its lowest 2007 level in June of 254bps back up to 276bps in September: the same level that was seen in Jan 07.
- Debate was rampant as to whether the realignment of structure, leverage & spreads will fall to those seen 9 months ago or 2 years ago

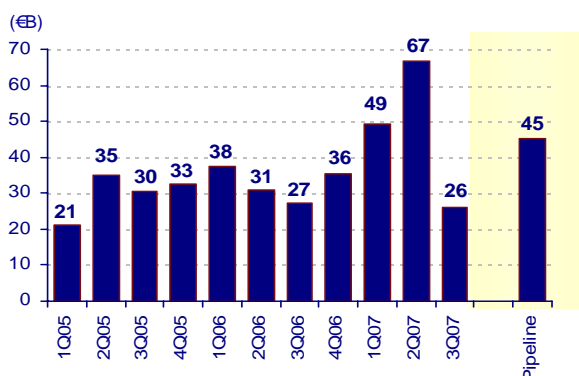
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What Happened to the Market?

Europe '07 Leveraged Loan Volume & Overhang



August Silence: €40MM Senior & Mezzanine Vol.






Source: S&P LCD and Fitch

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Fundamental Market Shift

- U.S. sub-prime losses impacted broad spectrum of investors including the leveraged loan market.
- June-August '07 marked a fundamental shift in global capital markets with a quiet Sep not helping to clear the overhang.
- Broad sell-off in the secondary market as participants have sought liquidity.
- Primary liquidity halt: ~\$300B global deal overhang/pipeline still to be absorbed by investors.
- \$661B of leveraged institutional loans outstanding up to August '07 (25% in Europe and 75% in the U.S.)
- Non-existent €40MM volume in August. and no mezz or 2L volume vs €22B in July
- CLO pipeline also static, 3 new vehicles priced since June.

~\$300B Global overhang but starting to clear:

		
\$37.2BN: 5 Banks considered \$1B break fee to get TPG/KKR to withdraw	\$20.0B: \$12BN Auto Debt pulled. \$8B Financial Service debt offered at 5% discount.	£9.02B: £7.3B Senior Facilities withdrawn. £1B 2 nd Lien and £0.75B Mezz offered at 4% and 5% discount. 2 nd Lien pulled.

Withdrawn deals



Delayed



Flexed deals



Cleared



Allocated not cleared



Limited new deals in Europe until market clears



... Good Old Days Appear Gone ... For Now At Least

- *Leveraged loan market has slowed to a crawl with only small & mid-cap transactions finding early traction*
- *Banks continue to struggle to assess the impact of the subprime contagion and the cost of placing hung deals ... balance sheets need to be meaningfully cleared before they underwrite non-relationship deals again*
- *Aggressive structures continue to be rejected as investor universe narrowed to credit focused participants & relative value plays abound in the secondary market*
- *CLO liquidity has virtually dried up given a broad market suspension/withdrawal of funding lines (CLO's accounted for 40% of all senior volume in 1H'07). Only three new manager CLO's priced since market turmoil began*
- *Declining collateral value has led to forced selling due to margin calls ... typically, the large liquid investments are the first to be sold*
- *Concerns over the liquidity position of banks has caused Libor rates to spike as banks have been reluctant to lend their own liquidity to other banks*

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Adam Hewson

What's Next?

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Q4'07 & Beyond Capital Markets Outlook

- **Forward Pipeline Will Continue to Outpace Demand in the Near Future ...**
 - ⇒ ~\$250B US forward calendar & ~€45B Europe calendar to be consumed before a supply/demand rebalance can be achieved (market estimates 6-12 months)
- **In the Near to Medium Term, Deals will be Structured to Address Market Liquidity Found with Banks, Finance Co's & Mezz Funds ...**
 - ⇒ TLA's are back; Cash Equity ~30%; Spreads return to RC & TLA 225bps / TLB 275bps / TLC 325bps / Mezz 950-1050bps; Second lien is off the table for now but will likely return; Leverage appetite has reduced by ~1.0x; JLA rounds will be more extensive to support price & structural discovery
- **Institutional Investors will Begin to Re-enter the Primary & Secondary Markets, Reversing the current Standstill when ...**
 - ⇒ Subprime losses and redemptions stabilize, allowing CLO's, CDO's, hedge funds, and other investors to stop drawing on back-up liquidity lines and selling to meet redemption requirements,
 - ⇒ The forward calendar is meaningfully absorbed,
 - ⇒ Relative value opportunities are overshadowed by new restructured primary deals, and
 - ⇒ Arrangers are able to provide new warehouse funding lines.
- **Sponsors Will Need to Reassess Tactics for Exit as Multiples May Decline**
- **Recap/Refinance Activity Expected to Cease with Sponsors Needing to Manage Assets Beyond the 20-30 Months**

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What Financing Can Be Raised?

Bank & Mezz-Friendly Structures ...

- ⇒ *Amortising Term Loan A's approximate 1/3rd of funded senior debt*
- ⇒ *Full financial covenant package with ~20% headroom*
- ⇒ *Reduced leverage ~1.0x (driven by amortising debt and strong FCC requirements)*
- ⇒ *2nd lien debt on the sidelines for now... Mezzanine debt generally unaffected*
- ⇒ *Credit documentation tightened*
 - No covenant-lite
 - Equity cures, clean up provisions & mulligan's
 - Secondary tradability restrictions
 - clean down provisions added
- ⇒ *Market depth for new structures ... up to € 1.0B*
 - Proposals will likely be conservative awaiting precedent deals
 - Most of the ~85 active banks in Europe still open for new participations
 - Most of the mezzanine funds unaffected (funded with long term capital), with several able to take € 50-100MM buy and holds

Green shoots of recovery

- **Short term effect of Federal Reserve cutting interest rates by 50 bps**
- **Secondary market firming LevX at 98.97 (10.10.07) up from 95.2 (30.8.07)**
- **First Data completed first phase of syndication (\$9.6B out of \$13B).**
- **Some repayments restoring liquidity e.g. Saga AA (c.£2B). Where will it be deployed?**
- **Warehouses being reformed? Mizuho Windmill CLO 1 priced at 60-100 average cost of funds.**
- **New mid market deals launched**
 - **Deutz Power Systems €300 million**
 - **Global Refund €240 million**
 - **Melita Cable €135 million**
- **Fundamentals - No major credit defaults. Stock markets high (FTSE 100 6,725)**
- **Banks with large overhangs not breaking. Why?**

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Appendices

GE

Industrial

BUSINESS UNITS - \$33 billion revenue



Consumer & industrial: Major appliances and related services for products such as refrigerators, freezers, cookers, dishwashers, clothes washers, microwave ovens, air conditioners and lighting products.



Inspection Technologies: global leader in technology-driven inspection solutions. Design, manufacture and service radiographic, ultrasonic and eddy current equipment to test materials. Products are used in wide range of industries: Aerospace, Power, Oil & Gas and Automotive.



Security: Access control (software solutions with integrated video to hardware like smart card readers and keypad devices), explosive and narcotics detection, intrusion and fire protection systems, machine guarding, system connectivity and video surveillance.



Fanuc: Automation solutions, Automation & production software Controllers & I/O, servo drives & motors, embedded systems, machine tool controls & solutions, motion control, visualization OI & PC solutions, services



Plastics: Leading global manufacturer and distributor of plastics resins and plastics shapes used in a number of key industries including automotive, computers, telecommunications, appliances, optical media, packaging, and building and construction



Silicones: Specialty silicones to personal care, household care, coatings, paints and inks, crop protection, textiles, oil & gas, paper and food & beverage. Additives enable creation of urethane foam for automotive, furniture and bedding, appliances and shoes.



Equipment Services: Operating leases, loans, sales, and asset management services for commercial and transportation equipment, including computer networks, trucks, trailers, rail freight, construction equipment, shipping containers, and modular space units

€417,000,000 Senior Credit Facilities for the refinancing of Armacell

Mandated Lead Arranger

armacell

December 2005

\$665,000,000 Senior Credit Facilities to support buyout by Wendel

Mandated Lead Arranger

CONNECTORS

June 2006

€230,000,000 Senior and Mezzanine Credit Facilities to support the Leveraged Buyout of VCST

Sole Mandated Lead Arranger
Sole Bookrunner

vcst

December 2005

€150,000,000 Senior Credit Facilities to support the Leveraged Buyout of VAC Vacuumschmelze

Mandated Lead Arranger

VAC
VACUUMSCHMELZE

December 2005

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Infrastructure

BUSINESS UNITS - \$42 billion revenue



Oil & Gas: One-stop solutions for production, LNG, transportation, storage, refineries, petrochemical and distribution systems. Products include turbines, pumps, compressors, turboexpanders, valves, metering systems and drilling steering tools.



Energy: Power plant products and services. Gas, steam and aeroderivative turbines, generators, combined cycle systems, controls and related services. Renewable energy solutions including wind turbines and hydro turbines and generators.



Transportation: Global technology leader and supplier to the railroad, transit, marine and mining industries. Provides freight and passenger locomotives, railway signaling/communications systems, marine engines, and motorized drive systems for mining trucks and drills.



Aviation: Jet engines, parts and repair and maintenance services for all categories of commercial aircraft; for a wide variety of military aircraft; and for executive and regional aircraft.



Water: Leading global supplier of water, wastewater and process systems solutions. Products include membrane equipment, filters membranes, monitoring and control systems, valves, medical water systems, deionization systems, pumps and instrumentation.



Aviation Financial Services: Provides a wide range of fleet, financing and productivity solutions to the commercial aviation industry. Operating leases, structured financing solutions, engine and spare parts leasing and financing services.

£140,000,000 Senior Credit
Facilities for the refinancing of Firth Rixson

Mandated Lead Arranger

Firth Rixson Limited

September 2006

€215,000,000 Senior Credit
Facilities for the refinancing of GDT.

Mandated Lead Arranger

GDT
GLOBAL DESIGN TECHNOLOGIES

Jul 2007

\$325,000,000 Senior Credit
Facilities for the refinancing of SR Technics

Mandated Lead Arranger

SR Technics

December 2004

€417,000,000 Senior Credit
Facilities for the refinancing of Alcatel

Joint Lead Arranger

ALCATEL

May 2004

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Healthcare

BUSINESS UNITS - \$15 billion revenue



Diagnostic Imaging: Magnetic resonance (MR), computed tomography (CT) scanners, X-ray, nuclear imaging, bone densitometry and ultrasound. Diagnostic imaging agents



Biosciences: Acquired Amersham in 2002. \$3 billion business providing medical diagnostics, drug discovery and protein separation systems. Chromatography and filtration purification for research and drug development programs.



Clinical Systems: Respiratory care products, patient monitoring devices, anaesthesia delivery systems



Info Technology: Data management and clinical software solutions, electronic medical record, workstation for primary diagnosis and viewing of X-ray studies



Services: IT solutions support, equipment monitoring and repair, computerized data management and customer productivity services.

€3 764 000 000
Senior Secured Facilities Participant

June 2007

€ 82 000 000
Senior Secured Facilities Participant

June 2006

€ 208 000 000
Senior Secured Facilities Participant

May 2006

€ 60 000 000
Senior Secured Facilities Participant

May 2006

€ 4 000 000
Venture Debt
Sole Participant

May 2006

€ 555 000 000
Senior Secured Facilities Participant

March 2006

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NBC Universal

BUSINESS UNITS - \$15 billion revenue

 **Network:** NBC Universal owns and operates the No.1 US television network. It provides services to more than 230 affiliated stations and broadcasts approximately 5,000 hours of TV programming each year.

 **Theme Parks:** Universal Studios Hollywood and Universal CityWalk. Interests in Universal Studios, Orlando (2 theme parks Universal Studios Florida and Islands of Adventure, 3 hotels and CityWalk); Universal Studios Japan; and Universal Mediterranean near Barcelona, Spain.

 **Cable:** NBC Universal Cable drives the company's cable strategic development and growth including video-on-demand, pay-per-view, HDTV, and retransmission consent, and oversees cable distribution, marketing, and local ad sales.


 **Sports/Olympic Games:** America's Olympic Network through 2012. February 2006 Olympic Winter Games from Torino, Italy. NASCAR, Golf, including U.S. Open and Ryder Cup, Tennis, (French Open, Wimbledon, US Open), horse racing and Kennel Club Dog Show.

 **Television Stations:** Operation of 29 VHF and UHF TV broadcasting stations, the CNBC network including CNBC Europe, CNBC Asia and CNBC World, and International channels across Europe and Latin America, reaching 28 million subscribers.

€1,000,000,000 Senior Credit Facilities To support the Refinancing of Telenet
Mandated Lead Arranger and Bookrunner
 May 2006


€458,000,000 Senior and 2nd Lien Credit Facilities to support the leveraged Buyout of Merlin Entertainments and Legoland
Mandated Lead Arranger
 September 2005

£78,500,000 Senior Credit Facilities To support the Public to Private of Chorion by 3i
Sole Mandated Lead Arranger and Sale Bookrunner
 February 2006

 **Television Production:** Develops and schedules programming for the network's primetime, late-night, and daytime schedules. Includes ER, Joey, The West Wing, Will & Grace, The Apprentice, The Tonight Show with Jay Leno, Jerry Springer and Discovery Kids.

£2,425,000,000 Senior Facilities to support the buy out of Telewest by NTL
Mandated Lead Arranger
 March 2006

€36,000,000 Equity investment GE is the largest shareholder with 25% ownership
 December 2005

 **Film:** Production and distribution of films including A Beautiful Mind, The Pianist, and Lost in Translation. Produces, markets and distributes entertainment products across a range of genres including film, live comedy, sport, music and children's programming.

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Contacts

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Financing and re-financing – are the banks open for business?

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