



# Morgan Stanley Credit Partners L.P.

Weekly Market Update

December 3, 2012

# Weekly Leveraged Finance Update

Week Ended November 30, 2012

**High Yield:**

- YTD Issuance: \$357Bn, 34% above YTD 2011
- Index Yield: 6.36%

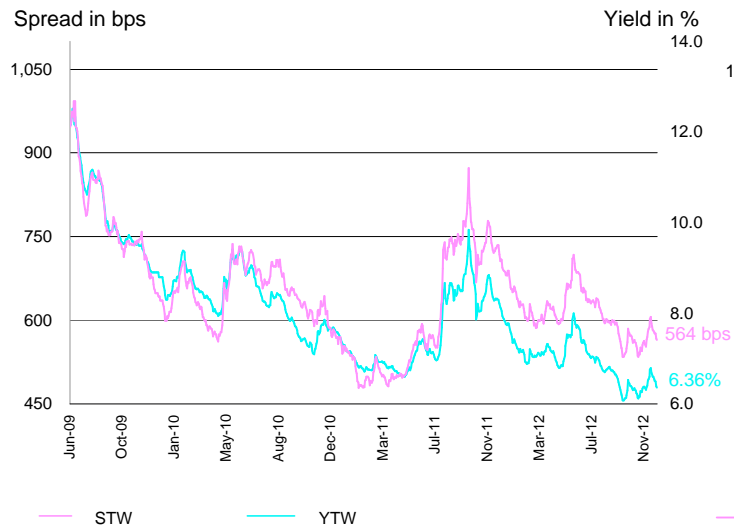
**Leveraged Loans:**

- YTD Issuance<sup>(1)</sup>: \$442Bn, 24% above YTD 2011
- Index Yield: 6.07%

**Leveraged Finance Market Commentary**

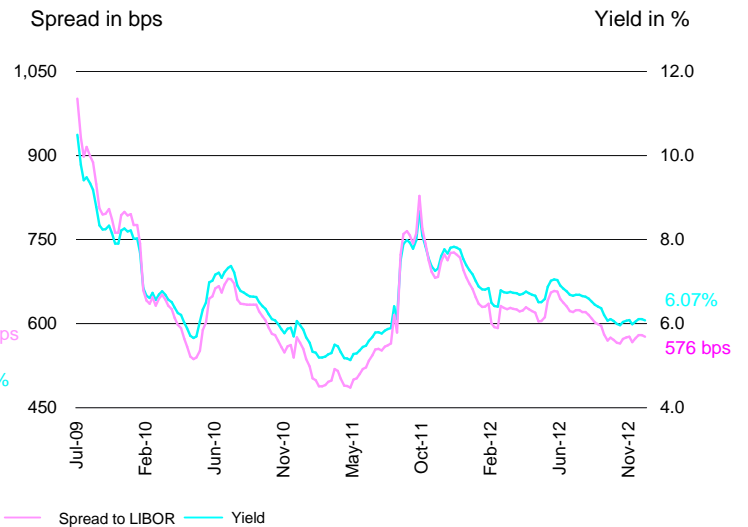
- High-Yield CDS index, HY18: 100.938, up 0.19 pts (0.2%)
- High-yield bond index: 104.58, up 1.43 pts (1.4%)
- Leveraged Loan CDS index, LCDX18: 100.625, up 0.25 pts (0.3%)
- Leveraged loan index: 98.62, up 0.37 pts (0.4%)
- 15 issuers priced \$6.9Bn of HY globally, YTD volume is \$356.7Bn, 34% above YTD 2011
- 11 loans broke for trading for \$3.3Bn. YTD loan volume is \$442.3Bn, 24% above 2011
- HY fund flows: positive \$264MM; first inflow after two outflows totaling \$2.4Bn
- Loan fund flows: positive \$238MM, 23rd consecutive inflow totaling \$5.9Bn
- 4 CLOs priced this week for \$2.1Bn. YTD CLO volume is \$45.2Bn

**LTM High Yield Index STW and YTW**



Source Morgan Stanley

**LTM Leveraged Loan Index STW and YTW**



Source Bloomberg, LCD

1. Includes Priced and Announced Institutional and Pro-Rata Tranches

# Weekly Leveraged Finance Update

Week Ended November 30, 2012

## Market Commentary

- **Hudson Products oversubscribed on refi loan**

- Hudson Products is oversubscribed on its new \$190 million term loan B
- Price talk on the term loan is LIB+575, with a 1.25 percent Libor floor and a 99 OID
- The term loan will mature in 2017, and will serve to refinance existing debt. A \$25 million revolver maturing in 2017 rounds out the deal
- Riverstone Holdings LLC purchased Hudson from The Sterling Group in July, 2008

- **Phoenix Services' refinancing TL gains on break**

- Phoenix Services' new \$275 million first-lien term loan, backing a refinancing of existing debt, has gained to 99-99.5 after breaking at 98.5-99
- The TLB freed above its 98 original issue price. Pricing finalized at LIB+650 with a 1.25 percent Libor floor
- The loan enjoys 102, 101 call protection
- The loan initially launched with price talk of LIB+525, with a 1.25 percent Libor floor and a 99 OID. The initial terms included 101 repricing protection. The deal was later sweetened to LIB+625 before settling on LIB+650. The 102 call protection was also added during syndication
- The deal also includes a \$30 million, four-year revolver
- The deal will include covenants for total net leverage and will be issued under Metal Services LLC
- Corporate family ratings are B2/B. Facility ratings are B1/B

- **Renaissance Learning's refinancing TLB trades above OID**

- Renaissance Learning's \$230 million term loan B is quoted at 100-100.75, above its 99 original issue price
- The loan priced at LIB+450 with a 1.25 percent Libor floor and a 99 OID
- A \$20 million revolver fills out the rest of the financing
- Last year the company raised a \$250 million credit backing its LBO by Permira Advisors
- Final pricing on the \$175 million, six-year first-lien term loan was LIB+625 with a 1.5 percent Libor floor and a 96 OID. The \$75 million, seven-year second-lien term loan firmed at LIB+1050 with a 1.5 percent Libor floor and a 96 OID

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Week Ended November 30, 2012

## Market Commentary

- **Air Medical Group's new acquisition TLB wrapped 101 on break**

- Air Medical Group Holdings' new \$205 million term loan B is 100.25-101.25 after freeing for trading. The loan sold for 99 cents on the dollar to investors
- Pricing finalized at LIB+525 with a 1.25 percent Libor floor and a 99 OID. This is the tight end of initial price talk of LIB+525-550
- The new term loan will carry 102, 101 soft call protection
- Proceeds of the new TLB will back the company's acquisition of REACH Medical Holdings LLC. The new TLB takes out the company's existing \$210 million bridge loan. The new loan will rank in line with the Air Medical's existing notes
- Leverage comes in at 4.8 times. The company has B2/B corporate and facility ratings

- **World Kitchen rolls out refi loan**

- World Kitchen launched a \$275 million refinancing credit facility
- The deal is split between a \$75 million revolving credit facility and a \$200 million term loan B
- Price talk is in the area of LIB+450 with a 1.25. The RC comes with a 99.5 OID and the TLB with an OID of 99
- Proceeds are to refinance and roll existing debt into one facility

- **Hunter Fan commits due Dec. 7**

- Commitments to Hunter Fan's refinancing and recapitalization loan are due December 7
- The deal includes a \$63 million second-lien term loan, in addition to the \$25 million revolving credit facility and a \$117 million term loan B
- Price talk on the second lien loan is set at LIB+900 with a 1.25 percent Libor floor and 98 OID
- Price talk on the first-lien portion is set at LIB+500 with a 1.25 percent Libor floor and 99 OID
- The first-lien has 101 soft call protection. Amortization is one percent per year. The second-lien has 102, 101 hard call
- The deal was launched November 16
- Senior leverage is 3.5 times and 5.4 times total. Expected ratings are B3/B-
- Proceeds are to refinance existing debt and recapitalize the electric housewares company. Midocean Partners is the financial sponsor

- **Aderant surfaces with \$240M credit**

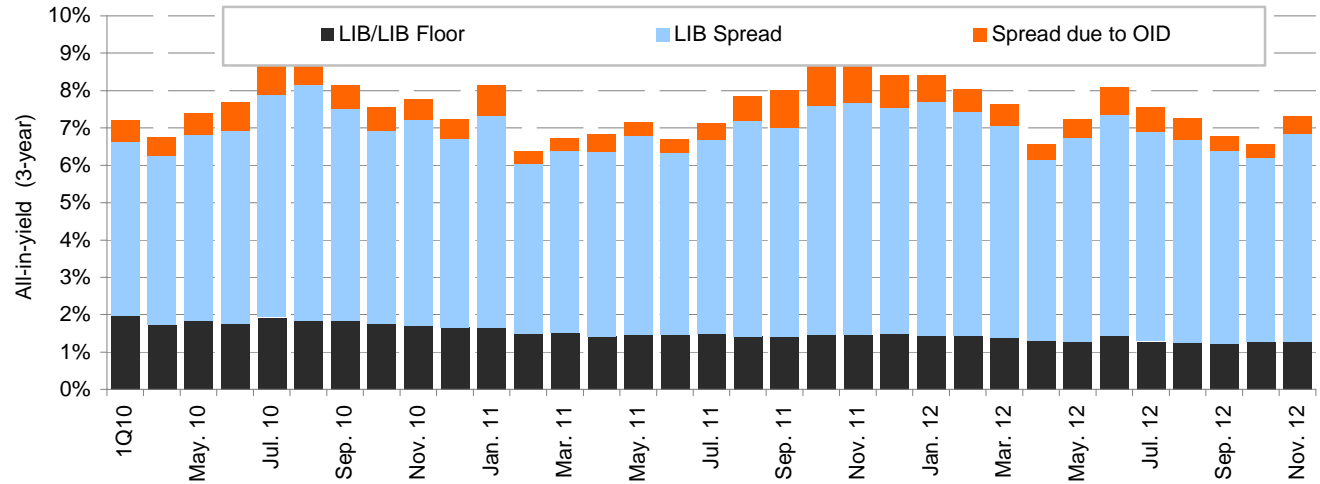
- Aderant North America Inc is in market with a \$240 million credit facility
- Proceeds from the facility back Madison Dearborn Partners' acquisition of 57 percent of the business from financial sponsor Vista Equity Partners
- The financing is split between a \$15 million revolving credit, a \$150 million first-lien term loan and a \$75 million second-lien term loan
- First-lien price talk is set at LIB+500 with a 1.25 percent Libor floor and 99 OID
- Senior leverage is 3.9 times and 5.8 times total

# Weekly Leveraged Finance Update

Week Ended November 30, 2012

- Middle market term loan yields increase to 7.32% in November, its highest level since July

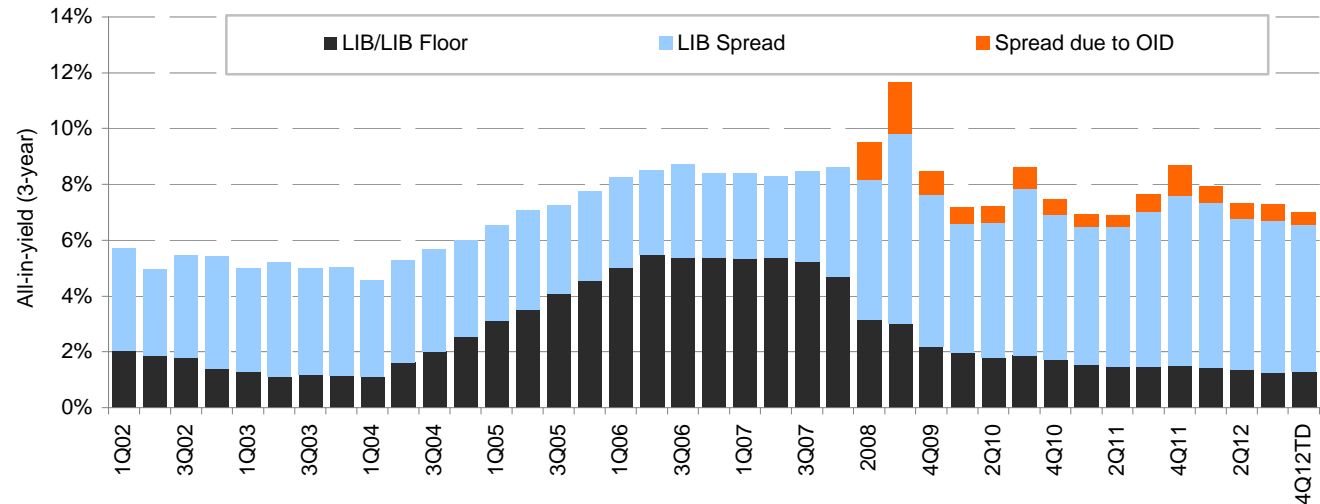
## Monthly Middle Market Term Loan Yields (3-YEAR)



Source: Thomson Reuters LPC

- However, yields tighten on a quarterly basis to the 7 percent context

## Quarterly Middle Market Term Loan Yields (3-YEAR)



Source: Thomson Reuters LPC

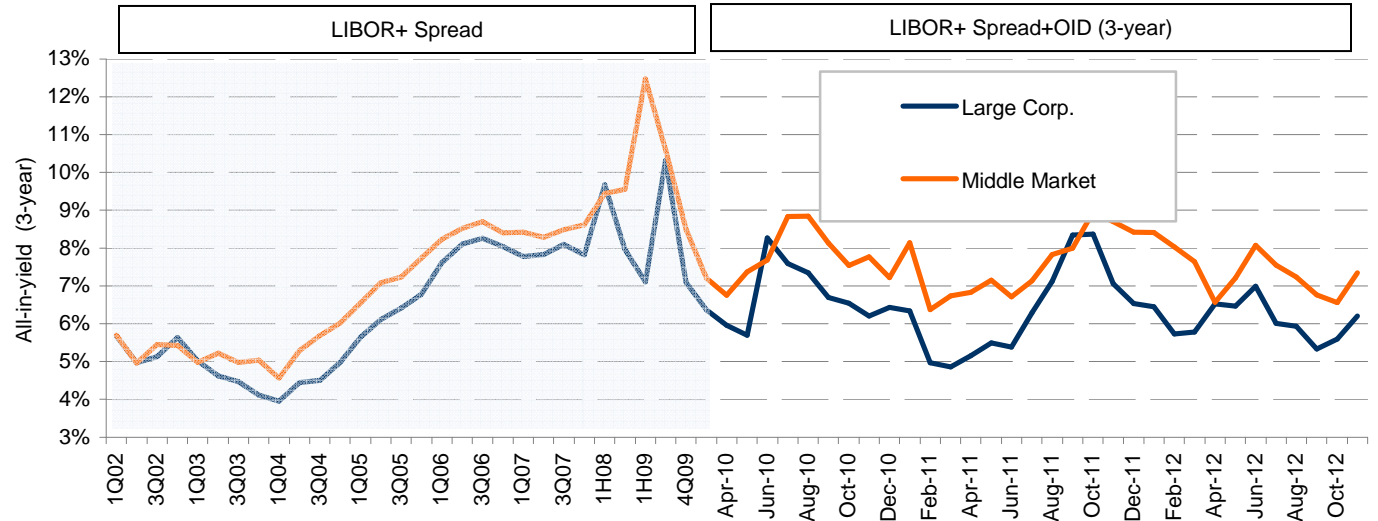
# Weekly Leveraged Finance Update

Week Ended November 30, 2012

- Middle market yield premium increases to 114bp in November from less than 100bp in October

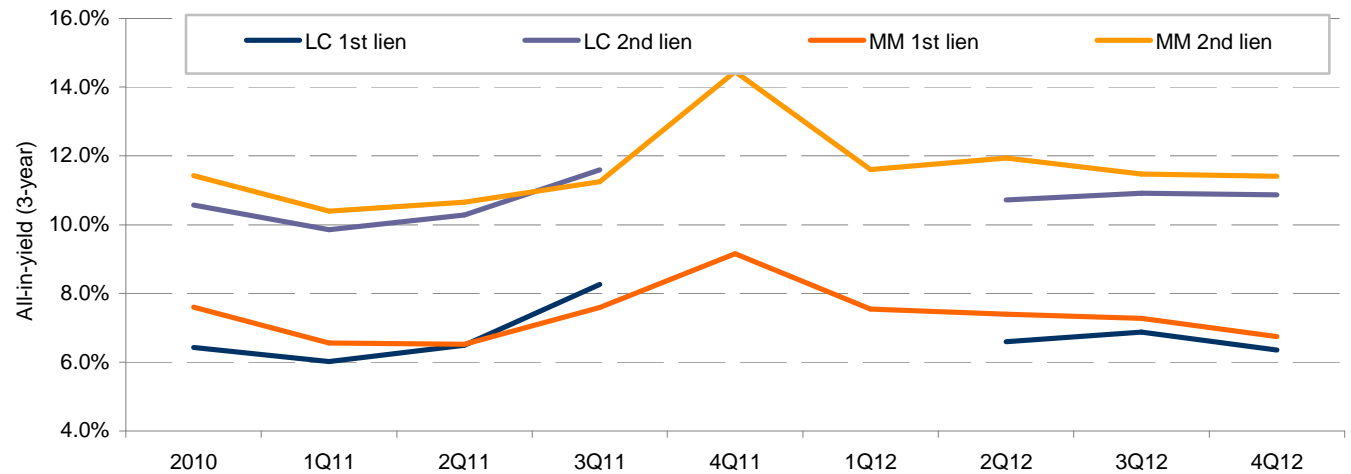
- MM 2nd lien premium increases to 4.7% in 4Q12 from 4.2%; LC premium increases to 4.5%

## Middle Market and Large Corporate Avg. Yields



Source: Thomson Reuters LPC

## First and Second-Lien Yields: Middle Market and Large Corp.

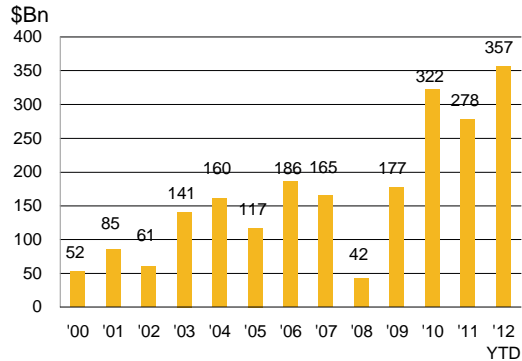


Source: Thomson Reuters LPC

# Weekly Leveraged Finance Update

Week Ended November 30, 2012

## Historical HY New Issuance Volume by Year



Source Morgan Stanley, Thomson SDC

## 2012 High Yield Issuance

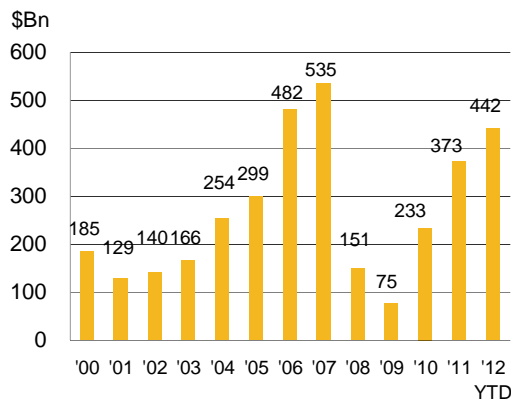
Trade Date	Issuer	Sponsor	Purpose	Amount (\$MM)	Rating	Yield
11/30/12	Gulfmark Offshore Inc	Not Sponsored	Refinancing	200	BB-/B1	6.286%
11/30/12	Unitymedia GmbH	Not Sponsored	Refinancing	1,000	BB-/Ba3	5.500%
11/30/12	US Foodservice Inc	Clayton, Dubilier & Rice	Refinancing	400	CCC+/Caa2	8.198%
11/29/12	Inergy LP	Not Sponsored	Acquisition	500	BB/B1	6.000%
11/29/12	Saratoga Resources	Not Sponsored	Corp Purpose	25	NR/NR	13.000%
11/28/12	Alere Inc	Not Sponsored	Refinancing	450	B-/B3	7.250%
11/28/12	Ally Financial	Not Sponsored	Refinancing	500	B+/B1	3.313%
11/28/12	Clean Harbors Inc	Not Sponsored	Acquisition	600	BB+/Ba2	5.125%
11/28/12	Dycom Industries Inc	Not Sponsored	Acquisition	90	BB-/Ba3	6.276%
11/28/12	Syncreon Global	GenNx360 Capital Partners	Recap/Dividend	100	B/B3	9.500%
11/27/12	Aircastle Ltd	Fortress Investment Group	Corp Purpose	500	BB+/Ba3	6.250%

Source LCD

# Weekly Leveraged Finance Update

Week Ended November 30, 2012

## Historical LL New Issuance Volume by Year



Source Morgan Stanley, S&P LCD

## 2012 Leveraged Loan Issuance

Launch Date	Issuer	Sponsor	Purpose	Deal Size (\$MM)	Rating	Spread
11/30/12	B&G Foods Inc	Not Sponsored	Refinancing	225	BB/Baa1	L+300
11/30/12	Consolidated Precision Products	Warburg Pincus	Acquisition	185	NR/NR	NA
11/30/12	Consolidated Precision Products	Warburg Pincus	Acquisition	100	NR/NR	NA
11/30/12	Custom Building Products	Kelso	Recap/Dividend	345	NR/NR	L+475
11/30/12	FOCUS Brands Inc	Roark Capital Group	Recap/Dividend	91	NR/NR	L+500
11/30/12	FOCUS Brands Inc	Roark Capital Group	Recap/Dividend	50	NR/NR	L+900
11/30/12	Fresenius AG	Not Sponsored	Refinancing	700	BBB-/Baa3	L+200
11/30/12	Riverbed Technology	Not Sponsored	Acquisition	500	BB-/Baa3	L+325-350
11/30/12	Sequa Corp	Carlyle Group	Refinancing	1,500	B/B1	L+400-425
11/29/12	Greektown Casino LLC	Not Sponsored	Refinancing	100	NR/NR	L+875-900
11/29/12	Greektown Casino LLC	Not Sponsored	Refinancing	355	NR/NR	L+475-500
11/29/12	Heartland Dental Care Inc	Not Sponsored	Acquisition	200	NR/NR	NA
11/29/12	Heartland Dental Care Inc	Not Sponsored	Acquisition	550	NR/NR	NA
11/28/12	Alliant Insurance Services Inc	Kohlberg, Kravis & Roberts	LBO	680	NR/NR	L+400-425
11/28/12	Alliant Insurance Services Inc	Kohlberg, Kravis & Roberts	LBO	100	NR/NR	NA
11/28/12	Citadel Plastics Holdings Inc	Huntsman Gay Capital Partners	Recap/Dividend	69	NR/NR	L+850-875
11/28/12	Citadel Plastics Holdings Inc	Huntsman Gay Capital Partners	Recap/Dividend	202	NR/NR	L+450-475
11/28/12	Golden Gaming Inc	Not Sponsored	Refinancing	205	B/NR	L+750-775
11/28/12	PVH Corp	Apax Partners	Acquisition	3,825	NR/Baa1	L+200-300
11/28/12	Sensata Technologies BV	Bain Capital	Refinancing	1,086	BB-/Baa2	L+275
11/28/12	St. George's University	Not Sponsored	Recap/Dividend	250	NR/NR	L+650-700
11/28/12	Tribune Co	Not Sponsored	Exit Financing/Exit Financing	1,100	NR/NR	L+350
11/28/12	Tribune Co	Not Sponsored	Exit Financing/Exit Financing	300	NR/NR	L+150
11/28/12	US Foodservice Inc	Clayton, Dubilier & Rice	Refinancing	450	/	L+425
11/28/12	World Kitchen LLC	Oak Tree Partners	Refinancing	290	NR/NR	L+425-450
11/27/12	Aderant Holdings	Madison Dearborn Partners	LBO	75	NR/NR	L+925
11/27/12	Aderant Holdings	Madison Dearborn Partners	LBO	165	NR/NR	L+500
11/27/12	Alliance Laundry Systems LLC	Teachers' Private Capital	Recap/Dividend	75	B/B2	L+450
11/27/12	Alliance Laundry Systems LLC	Teachers' Private Capital	Recap/Dividend	360	B/B2	L+450
11/27/12	Alliance Laundry Systems LLC	Teachers' Private Capital	Recap/Dividend	125	CCC+/Caa2	L+850
11/27/12	BATS Global Markets Inc	Not Sponsored	Recap/Dividend	300	BB-/B1	L+575
11/27/12	Hamilton Sundstrand Corporation	Carlyle Group	LBO	1,550	B+/B1	L+400-425
11/27/12	Hamilton Sundstrand Corporation	Carlyle Group	LBO	300	B+/B1	NA
11/27/12	MedAssets Inc	Not Sponsored	Refinancing	750	BB-/Baa3	L+250-325
11/27/12	RedPrairie Corp	New Mountain Capital	Acquisition	1,450	NR/B1	L+475
11/27/12	RedPrairie Corp	New Mountain Capital	Acquisition	650	NR/Caa1	L+900
11/27/12	RedPrairie Corp	New Mountain Capital	Acquisition	100	NR/B1	NA
11/27/12	Safway Services LLC	Odyssey Partners	Refinancing	125	NR/NR	NA
11/27/12	Safway Services LLC	Odyssey Partners	Refinancing	500	B+/B2	L+525-550
11/27/12	Sage Products Inc	Madison Dearborn Partners	LBO	60	NR/NR	NA
11/27/12	Sage Products Inc	Madison Dearborn Partners	LBO	380	NR/NR	L+425-450
11/27/12	Sage Products Inc	Madison Dearborn Partners	LBO	200	NR/NR	L+825
11/27/12	Spansion Inc	Not Sponsored	Refinancing	219	BB+/Baa3	L+375-400
11/27/12	Spansion Inc	Not Sponsored	Refinancing	50	NR/NR	NA
11/26/12	Air Medical Group Holdings Inc	Bain Capital	Acquisition	205	B/B2	L+525-550
11/26/12	Houghton International Inc	Not Sponsored	Acquisition	585	NR/NR	L+450
11/26/12	Houghton International Inc	Not Sponsored	Acquisition	250	NR/NR	L+825
11/26/12	Stallion Oilfield Services Ltd	Not Sponsored	Recap/Dividend	500	B/NR	L+650-700

Source LCD



# About Morgan Stanley Credit Partners

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## Key Facts

- Morgan Stanley Credit Partners is focused on executing privately negotiated corporate mezzanine debt investments
- Target investment size of \$20 million to \$65 million with the ability to partner with other investors to participate in larger transactions
- Seek to invest in a combination of subordinated debt and equity in the form of warrants or direct equity co-investment
- Typically focus on companies with EBITDA of over \$15 million, predominantly in the U.S. and Western Europe. Investments include capital for leveraged buyouts, debt refinancings, recapitalizations and acquisitions
- For more information, please visit our website at:

<http://www.morganstanley.com/creditpartners>