

iHeart CFO Weighs Refi Options for \$21B Debt Load

BY KELLY BLESSING

iHeartCommunications will refinance debt opportunistically as it continues to restructure its balance sheet and improve operations, according to CFO **Rich Bressler**.

"We never take our eye off the cap structure. You'll continue to see us expeditiously move forward [and] be opportunistic," Bressler said in phone interview May 7.

The San Antonio, Texas-based company, which has roughly \$21 billion in debt, is focused on refinancing \$2.2 billion in 7.625 percent notes due 2020 at **Clear Channel Outdoor Holdings**, its outdoor advertising subsidiary.

"That's probably the first opportunity that you'll see," said **Brian Coleman**, senior vice president and treasurer, in the interview.

The 7.625 percent notes, which became callable March 15 at 105.719, traded at 105.31 cents on the dollar May 7.

Coleman characterized that call price as "fairly rich" and said the \$125 million prepayment premium doesn't make economic sense given today's slightly lower rates.

"If [rates] drop 100 basis points, it becomes more interesting," Coleman said. "I'm not sure at a 6.5 or 6.75 percent level, but if that falls to 5 or 5.5 percent, that's more compelling. Secondly, is there an opportunity to improve terms?"

The call price drops to 103.813 in March 2016, at which time a bond refinancing could be more attractive, the treasurer said. The company is more inclined to issue in the high-yield market because of its depth and its acceptance of the broadcaster's debt historically, Coleman said.

Bressler said the company will look to reduce debt in the future, but is focused on maintaining sufficient liquidity for now. The company's net-debt-to-Ebitda ratio is 6.4 times as of April 30, according to a company presentation.

iHeartCommunications most recently visited the high-yield market in February, when its iHeartMedia subsidiary issued \$950 million in 10.625 percent notes due 2023 to refinance \$931 million of term loan debt that was set to mature in January 2016.

That transaction refinanced the last of the debt stemming from the 2008 LBO of the company by **Bain Capital** and **Thomas H. Lee Partners**, which acquired the broadcaster for \$25 billion in cash and assumed debt, Coleman said.

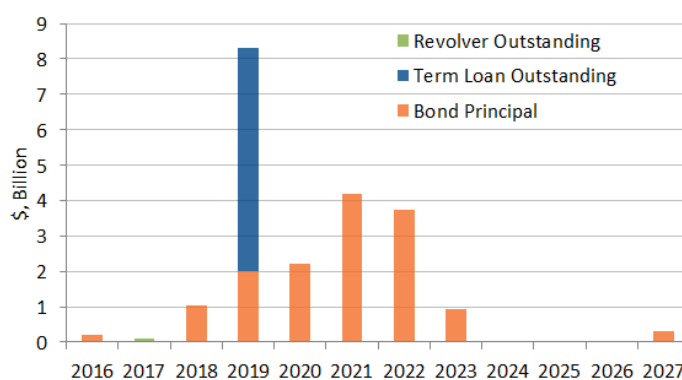
iHeartMedia posted a net loss of \$385 million in the first quarter, compared with a loss of \$424 million a year earlier, according to a company presentation. Clear Channel reported a net loss of \$33.5 million, narrower than its year-earlier loss of \$96.9 million.

iHeartCommunications will look to refinance its \$730 million in 10 percent notes due 2018 and its \$1.7 billion in 14 percent notes due 2021 following a possible refinancing of its 7.625 percent notes, Coleman said.

"If the company shows improvement, particularly on the media and entertainment side, those [notes] could become pretty compelling just because the cost is so high," he said.

The company is rated CCC+ by **S&P**, with a negative outlook.

LBO Legacy Means Large Maturities Loom



Source: Bloomberg LP

BloombergBriefs.com

QUOTE OF THE WEEK

"With so much capital and the decline in supply, covenant-light is migrating down to the middle market. We don't do covenant-light in the middle market. It's not prudent as a lender."

— **Ted Koenig**, president and CEO of Monroe Capital

WEEK AHEAD

■ RESTAURANT BRANDS

May 11: Lender call, \$5.14b TLB

■ BLUE COAT SYSTEMS

May 11: Lender call, \$1.05b TL

■ DYNACAST INTERNATIONAL

May 11: Lender call, \$530m TLB repricing

■ MERRILL COMMUNICATIONS

May 12: Meeting, \$510m 7Y TL

■ AMERICAN GAMING SYSTEMS

May 12: Meeting, \$250m incrm TL

INSIDE

PEOPLE MOVES: Credit analysts are *leaving* banks for fund managers in Europe thanks to new regulations.

INDIA CREDIT: India's junk bonds are enjoying a solid start to the quarter amid a commodities rebound.

TWEET OF THE WEEK



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#LeveragedLoans Continue to Rally in Secondary Mkt. S&P/LSTA Leveraged Loan Index up 3.2% on year... <http://t.co/rbvyILFxHh>
[Details](#)

NEWS: ROSETTA RESOURCES

Noble Buys Rosetta for \$2.1 Billion to Gain Texas Shale

Noble Energy agreed to acquire **Rosetta Resources** for \$2.1 billion in stock, giving the natural gas and oil producer a position in two of the largest areas of shale production in Texas.

Noble will also assume Rosetta's net debt of \$1.8 billion, the companies said in a statement May 11. The per-share offer is valued at \$26.62, a 38 percent premium to the target's closing price on May 8. The Eagle Ford basin was the most productive U.S. oil field at the end of 2013, according to the latest Energy Department data.

The premium for Rosetta is below average for the sector over the past five years, suggesting there are more mergers to come, said **Fadel Gheit**, a New York-based analyst for **Oppenheimer & Co.** It's the largest takeover of a U.S. oil and gas producer announced this year, according to data compiled by Bloomberg.

"We're going to see a lot of mergers and acquisitions," Gheit, who rates Noble shares at market perform and owns none, said in a telephone interview. "Everybody is looking for the big deal."

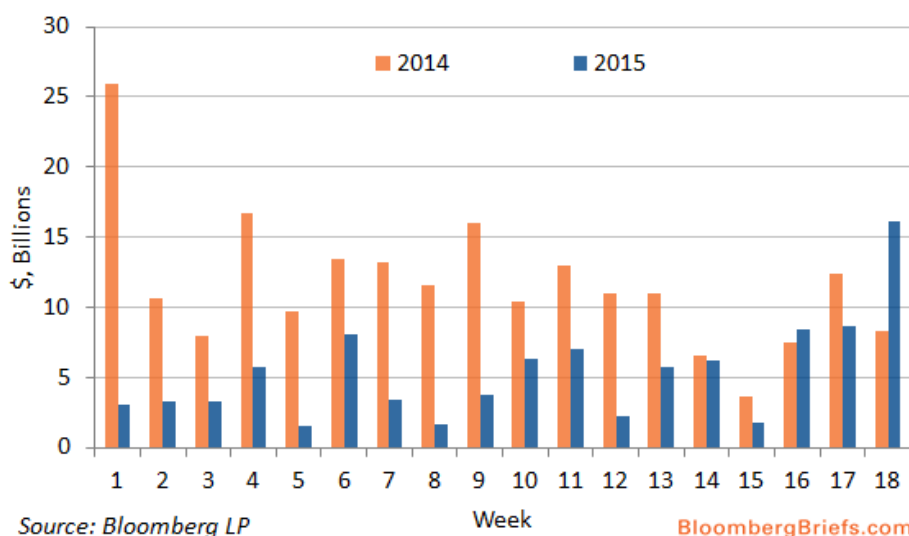
Rosetta's assets include 50,000 acres in the Eagle Ford and 56,000 acres in the Permian. Rosetta produced 66,000 barrels a day of oil and gas in the first quarter from the two regions, of which more than 60 percent was liquids.

Rosetta shareholders will get 0.542 of a Noble share for each share they hold and are expected to own 9.6 percent of the outstanding shares of Noble, according to the statement.

Martijn Rats, an oil analyst at **Morgan Stanley**, said in a May 11 report that M&A was "arguably" a cheaper option for growth than organic investment. "Upstream M&A will likely accelerate as confidence grows," he said.

— Jim Polson

Institutional Loan Volume Jumps Thanks to Repricings



Institutional loan volume has picked up in recent weeks thanks to a wave of repricing transactions. The 18th week of the year, ended May 8, saw \$16.18 billion of institutional loans launched, up from \$8.65 billion the previous week and compared to \$8.33 billion in the same period a year ago. **PetSmart's** \$4.3 billion term loan B repricing was the largest launch of the week, though pricing was widened to 325 basis points over Libor, from initial price talk of 300 basis points. It was the second repricing to widen this year after **Zayo Group's** \$1.65 billion term loan B, according to Bloomberg data. The margin on PetSmart's loan was 400 basis points when it was originally obtained in February.

— Lara Wiecezynski, Bloomberg Data Analyst

DEAL WATCH

■ **Essilor International**, the world's biggest eyeglass lens producer, and **Hoya Corp.** are among suitors weighing bids for German rival **Rodenstock**, people with knowledge of the matter said. The companies have held informal talks with advisers about potential offers for Rodenstock, which may fetch at least 500 million euros (\$557 million). Neither has made a final decision to bid, as Essilor is considering potential antitrust hurdles to any acquisition and Tokyo-based Hoya is wary of overpaying for the company.

Bridgepoint, the buyout firm that acquired Rodenstock from **Permira** in 2006, hired **Goldman Sachs** to look at strategic options for the company earlier this year. No formal sale process is under way. The German lens maker has also drawn interest from private-equity firms, though they have expressed concerns about valuation.

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VERBATIM

What high-yield issuers and investors are saying on investor calls about the debt markets. Comments have been edited and condensed.

■ **Cablevision Systems:** "The company's first-quarter consolidated cash position was \$884 million and net debt was \$7.8 billion. We had \$1.43 billion undrawn and available under the \$1.5 billion revolving credit facility at CSC Holdings at the end of the first quarter. At March 31, the company's consolidated net leverage ratio was 4.3 times. The CSC Holdings restricted group bank leverage ratio was 2.9 times. Our current priority for free cash flow is to continue to invest in the business. The second priority is to ensure that our balance sheet continues to afford us the ability to dynamically manage the business and apply our excess capital. I think it's likely that you'll see a portion of our excess cash applied to our effort to continue to deleverage. Consistent with this approach, in April, we made a voluntary prepayment of our CSC Holdings term loan B facility in the amount of \$200 million. This repayment will resolve in cash interest savings over the term of the facility."

— Vice Chairman Gregg Seibert on a May 4 earnings call

■ **Entercom Communications:** "We're getting closer to the window where we can efficiently refinance some of our capital structure at significant savings and a boost to free cash flow per share. Our current high-yield notes outstanding — \$220 million face value — are callable this fall. And now it starts to become interesting to look at buying those or refinancing even earlier."

— CFO Steve Fisher on a May 4 earnings call

■ **Alere:** "We anticipate the proceeds from future divestitures will exceed \$500 million, adding to the greater than \$600 million in proceeds we have realized to date from the sale of non-core assets. We expect to use the majority of the proceeds to deleverage our balance sheet."

— CEO and President Namal Nawana on a May 5 earnings call

■ **Frontier Communications:** "To fund the acquisition of Verizon assets, we anticipate raising approximately \$3 billion in equity or equity-linked securities followed by approximately \$7.9 billion in debt. We have planned our financing such that the resultant capital structure will maintain our current debt ratings. We will be opportunistic in completing our equity and debt raises with the goal of completing them in the Q3 to Q4 timeframe, in advance of the estimated first half of 2016 closing of this transaction."

— President and CEO Dan McCarthy on a May 5 earnings call

■ **Headwaters:** "During the quarter, we restructured our debt by repaying approximately \$49 million of our 8.75 percent convertible notes and we refinanced our \$400 million senior secured notes. The restructuring reduced total debt by \$25 million, reduced our weighted average interest rate to 5.2 percent, extended our senior secured debt maturities to 2022 and increased our free cash flow annually by \$15 million."

— Chairman and CEO Kirk Benson on a May 5 earnings call

■ **Emmis Communications:** "At Feb. 28, 2015, the company had \$193 million outstanding under our senior credit facility with a weighted average cost of borrowing of 5.97 percent. This rate will increase 100 basis points in the future following an agreement on April 30 with our term loan lenders to amend our credit agreement. The amendment increases our permitted leverage to 6.75 times to Feb. 29, 2016. It increases loan amortization and includes certain prepayment premiums. We executed the amendment to address uncertainties related to our new direct competitor in Los Angeles and the continuing revenue softness in the New York market."

— CFO and COO Pat Walsh on a May 7 earnings call

■ **Cenveo:** "We believe that 2015 would be a much stronger year for cash-flow generation and would serve as a launching pad for us to achieve our objective, addressing our higher cost

interest debt. Our results so far this year are demonstrating that we are well on our way delivering on these goals. Since the start of this year, we've extinguished over \$22 million of the 11.5 percent notes, leaving us with a balance of under \$200 million today. This alone represents an interest savings annually of approximately \$3 million. Going forward, we will continue to allocate our excess cash flow to continue to lower our debt. And again, we will focus on our higher cost instruments. We're also currently monitoring the capital markets and depending on the results of our strategic review, we will look to potentially find holistic solutions for subordinated debt that becomes callable starting next week."

— Chairman and CEO Rob Burton on a May 7 earnings call

■ **R.R. Donnelley:** "We ended the quarter with \$1.3 billion of net available liquidity with nothing drawn on our \$1.5 billion revolving credit facility. Our next term debt maturity of \$200 million is due next week and we plan to draw on our revolving credit facility to pay that down. From 2016 to 2018, our average maturity is \$240 million, with the highest maturity of \$251 million due in January 2017."

— CFO Dan Leib on a May 7 earnings call

■ **Scientific Games:** "The prepayment of our debt remains our clear priority for the free cash flow expected to be generated in 2015."

— CFO Scott Schweinfurth on a May 7 earnings call

■ **Suburban Propane Partners:** "We are pleased to report adjusted Ebitda of \$214.3 million for the second quarter of fiscal 2015 and that's an increase of \$8 million or 4 percent compared to the prior year and it's our highest level of reported quarterly earnings. During the quarter, we also continued to strengthen our balance sheet with the successful refinancing of our 7.375 percent senior notes, which were due 2020, with new 5.75 percent senior notes due 2025. With this refinancing, we have extended maturities on this portion of our debt by five years and reduced our annual cash interest requirement by more than \$4 million."

— CEO Michael A. Stivala on a May 7 earnings call

EUROPEAN MARKETS FOCUS BLOOMBERG NEWS/FIRST WORD

BONDS

OHL Bonds Touch All-Time Low on Mexico Allegations

Obrascon Huarte Lain's bonds fell to record lows amid allegations of malpractice in the Spanish construction and engineering company's Mexican unit.

OHL's 400 million euros (\$455 million) of 4.75 percent bonds due March 2022 dropped 3.4 cents on the euro to 92.3 cents, according to data compiled by Bloomberg. Its 325 million euros of 5.5 percent securities sold in March fell 3.4 cents to 93 cents.

Executives sought to mislead the government into raising tolls on a major highway, Mexico City daily newspaper *La Razon* reported May 6, citing telephone-call recordings posted on YouTube. Madrid-based OHL started an internal investigation into the allegations, according to a regulatory filing Thursday.

The conversations were obtained illegally and maliciously edited and the company will take legal action, OHL Mexico SAB said in an e-mailed statement. Bloomberg has no way to verify authenticity of recordings on YouTube.

— Katie Linsell

LOANS

Decline in Loan Volume Triggers Repricing Activity

Leveraged loan volume in Europe fell to a five-month low in April, opening the door for opportunistic sponsors to go out with a series of repricings.

In all, investors were offered nine leveraged loans in April for total volume of 2.355 billion euros, or just over half the 4.5 billion euros launched in March, data compiled by Bloomberg show. Of April's

deals, 508 million euros were covenant-light, and they all came part of cross-border syndications.

These launches were not enough to sate demand, and as volume fell, so did pricing. Bloomberg data shows that average margins finished the month at 376 basis points, down from 432 basis points at end March, while OIDs tightened to 99.5, from 99.45 at the end of March. The average base-rate floor eased to roughly 92 basis points in April, from 100 basis points in all other months this year. None of the deals launched in April were reversed-flexed.

Lower pricing encouraged sponsors to revisit their existing portfolios, and the month saw four repricings for 2.348 billion euros, up from just one repricing for 1.3 billion euros in March. **SIG Combibloc** paid out a 101 soft call to slice 100 basis points from the margins of a buyout loan initially allocated in February. Others were able to cut pricing more than they initially requested, with **Delachaux** tightening the margin on its euro repricing and add-on to 375 basis points, versus an initially requested 400 basis points. The loan was first signed in September 2014 and refinanced debt from a **CVC**-led buyout of the group in 2011.

Elsewhere, **Ceramtec** was able to cut an initially offered 12.5 basis points to its euro repricing after all lenders agreed to the request. The deal saw the **Cinven**-owned ceramics groups bring the euro margin on its 291.3 billion euro loan down in line with its dollar tranche at 375 basis points.

In the absence of a meaningful pickup in new LBO supply, few expect the flow of repricings to slow. Banks are busy pitching to borrowers for new repricing mandates, and such opportunistic deals rely on an otherwise quiet market to get investor acceptance, according to three leveraged finance bankers in London who asked not to be identified.

That said, the impact of lower supply is

so far limited to pricing, and European leverage levels remain stable. The average first-lien leverage multiple ended April at 3.9 times, which is roughly flat on the year.

Smaller mid-market deals look to dominate the pipeline over the next month or so. These include new buyout loans for borrowers such as **Sports Group** and **Nordic Cinema**, while investors still await the new cross-border financing backing **Bain's** buyout of **TI Automotive**.

The auction pipeline may deliver more big-ticket supply. **Saint Gobain's** sale of glass-packaging unit **Verallia** is being particularly well followed and could bring a buyout valued at 2.8 billion euros, according to Bloomberg. Also in focus is **BC Partners' sale of Synlab**, a German laboratory operator.

— David Cox

DISTRESSED

Metinvest Improves Offer in Debt Extension for Bonds

Metinvest improved the terms of a restructuring offer to persuade holders to extend the maturity of \$114 million of bonds due May 20 until next year.

The Ukrainian steelmaker increased the amount of principal it will pay to 25 percent of face value from 10 percent in a plan published last month. The remaining \$85 million will be paid on Jan. 31, according to a company's statement.

Metinvest is seeking to extend the securities as it restructures \$3.2 billion of bank loans and bonds. The company said it needs more time to repay its debt after the conflict in Ukraine damaged infrastructure, disrupted deliveries and cut its access to international capital markets.

Metinvest boosted its offer after a group of bondholders hired law firm **Kirkland & Ellis** to challenge the original proposal.

— Luca Casiraghi

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INDIA CREDIT FOCUS BLOOMBERG NEWS

Vedanta Powers Indian Junk Bond Gains as Rolta Trouble Isolated

India's junk bonds are enjoying their best start to a second quarter in global markets since 2009, after a commodities rebound powered gains in **Vedanta**.

The nation's dollar-denominated speculative-grade securities gained 2.08 percent since March 31, an index of 29 bonds compiled by **Bank of America Merrill Lynch** shows. Notes issued by mining group Vedanta rose 6.4 percent on average while power producer **Greenko Group's** debt increased 6.3 percent. The rally helped investors look beyond a 7.5 percent slump in **Rolta India's** debt, after a U.S.-based short-seller questioned its accounting methods.

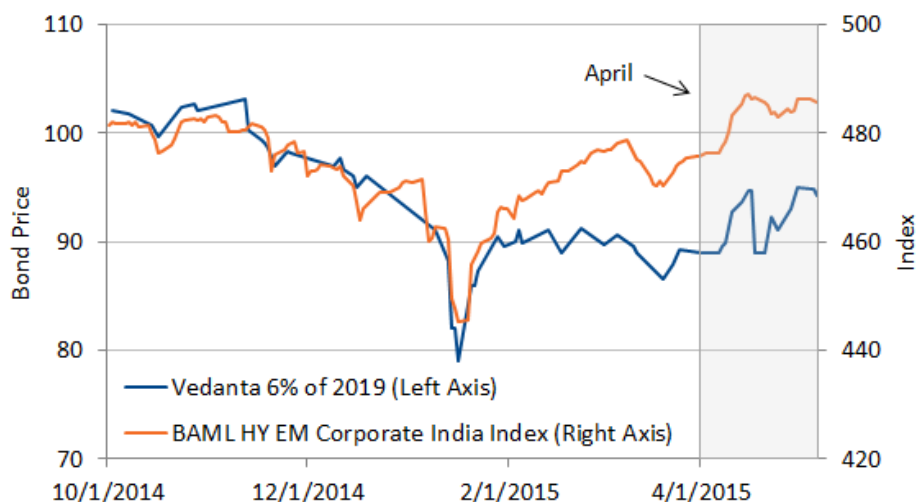
Demand for riskier bonds from Asia's third-largest economy is reviving as Prime Minister **Narendra Modi's** administration pushes ahead with reforms to boost growth and economists delay expectations for when the Federal Reserve will raise interest rates. Investors plowed the most money since February into emerging-market bonds in the final week of April as zinc, oil and iron ore capped their best month since at least mid-2013. Rolta's situation isn't reflective of the good governance among broader Indian rated issuers, S&P said.

"Investors think oil volatility is behind them so Vedanta and other high-yield papers are riding on this optimism," said **Sudip Shah**, the London-based CEO of **Orbit Investment Securities Services**. There's also a dearth of supply "at a time when stimulus funds are making their way back into emerging markets," he said.

Indian companies have sold \$5.72 billion of foreign currency debt in 2015, compared with \$6.61 billion the same period a year earlier, data compiled by Bloomberg show. **Reliance Industries**, rated Baa2 by **Moody's**, has been the biggest borrower in 2015, raising \$1.75 billion from sales in January and February.

Oil surged 25 percent in April, the most since an almost 30 percent gain in May 2009 and was at \$60.40 a barrel May 7. The fuel is up 39 percent from a six-year low touched March 17. Zinc, the metal used in alloys and brass, has risen 18 percent to \$2,354 a ton from a one-year

Vedanta Bond Lifts India Junk Index in April



Source: Bloomberg LP

BloombergBriefs.com

low on March 18.

Vedanta's \$1.2 billion of 6 percent 2019 notes are trading at 93.504 cents on the dollar to yield 8.05 percent, Bloomberg-compiled prices show. They returned 6.96 percent last month, better than the average 0.57 percent gain for all dollar bonds in Asia, according to a **JPMorgan Chase** index. Greenko's \$550 million 8 percent notes due 2019 rose 4.09 percent in the same period.

Vedanta derived 48 percent of its Ebitda from oil and gas while zinc contributed 31 percent, according to its interim financial accounts to Sept. 30.

By contrast, Rolta's debt tumbled after **Glaucus Research Group California** said April 16 it was betting against the company's bonds. It issued another note May 7 and said it still valued the speculative-grade debt at the recovery value of Rolta's offshore assets, which it estimates to be 16 cents on the dollar. The accounting issues raised by the short seller are baseless, the Mumbai-based software company has said.

Rolta's \$373.3 million of 8.875 percent 2019 bonds dropped by a record 14 cents to 84.53 cents on the dollar after the April 16 report and are currently at 87.59 to yield 12.775 percent. They were as high as 103.99 in August. In April they lost 9.92 percent.

"Rolta's accounting allegations are yet to be proven and we wait for more clarity," **Abhishek Dangra**, a Singapore-based director of corporate ratings at S&P, said by phone. "It's not a reflection of systemic accounting and governance issues with larger Indian credits in general."

S&P views Rolta's management and governance as fair, while larger Indian IT companies get a "strong to satisfactory" assessment, he said.

India's high-yield corporates have also benefited from a weakening currency "as one would expect with commodity exports being a driver," said **Rob Turner**, a money manager in Atlanta at **Voya Investment Management**, which oversees \$213 billion including Vedanta notes. That added to positives from a recovery in energy and metal prices, he said.

The rupee has weakened 2.12 percent against the greenback since March 31, making it Asia's second-worst performing major currency after the Thai baht. It strengthened 1.37 percent in the first three months of 2015, making it the best performing. India is forecasting growth of as much as 8.5 percent in the year ending March 2016, the fastest among major economies.

— David Yong and Anoop Agrawal

BOND FOCUS BLOOMBERG NEWS

In Land of Negative Yields, Junk Bonds Are the Haven Assets

With government securities around the world yielding less than nothing, money is pouring into exchange-traded funds that buy speculative-grade debt, making junk bonds the new fixed-income haven.

The pace is staggering. So far this year, about \$9 billion has flowed into the funds globally, a significant chunk for the \$44.4 billion market in junk-debt ETFs.

In the land of negative yields, even the most conservative firms such as **Zurich Insurance Group** and **Assicurazioni Generali**, the biggest Swiss and Italian insurers, are planning to invest in sub-investment-grade debt for the first time. One of the bond market's brightest luminaries, **Jeffrey Gundlach**, says you're better off in junk because the only money to be made on German bunds is from betting against them.

While a recent selloff in euro sovereign debt gives investors all the more reason to crowd into high-yield assets, the lingering concern is that buyers are exposing themselves to even greater losses. And with the European Central Bank's bond purchases still keeping government yields close to historic lows, many bond investors have few other options.

"Investors are being forced by the central bank to assume more risk," **Jens Vanbrabant**, a money manager at **ECM Asset Management**, which oversees \$6.5 billion, said from London. "They're trying to adapt their investment parameters to the new situation of zero or negative yields."

Bond markets are being distorted as central banks step up cheap-money policies to bolster growth and prevent deflation. About \$2.36 trillion of

government bonds globally have negative yields, data compiled by Bloomberg show.

The situation is particularly acute for the nations that share the euro. In Germany, Europe's largest economy, quantitative easing has left about 40 percent of the nation's securities tracked by Bloomberg with sub-zero yields.

That's prompted investors to take more chances on debt of the least-creditworthy borrowers. Flows into junk-bond ETFs in the first four months of the year exceeded any comparable period since **EPFR Global** began compiling the data in 2007.

The iShares Euro High-Yield Corporate Bond UCITS ETF, the largest of its kind in Europe with 4.2 billion euros (\$4.7 billion) in assets, amassed more than 1.5 billion euros alone over that span, data compiled by Bloomberg show.

"I'm long high yields right now," Gundlach, the founder of Los Angeles-based **DoubleLine Capital**, which oversees \$73 billion, said in an April 28 interview on Bloomberg Television. "They've done quite well lately."

Gundlach went on to say he's looking to short two-year German notes, which yielded minus 0.22 percent. The yield on five-year securities was 0.06 percent, after reaching an unprecedented minus 0.17 percent less than three weeks ago.

Globally, junk bonds have outperformed government debt with a 4.4 percent return this year. That's a reversal from 2014, when the lowest-rated bonds underperformed by the most since the financial crisis.

Part of the attraction has to do with the advantage of junk-bond yields, which have risen in the past year as those on

government debt kept falling.

High-yield bonds represent "some of the best strategies to generate total return in today's low-return environment," said **Payson Swaffield**, the London-based chief investment officer for fixed income at **Eaton Vance Investment Managers**, which oversees \$300 billion.

Giving up on government bonds in Europe may still be premature, said **Stefan Kreuzkamp**, **Deutsche Asset & Wealth Management's** Frankfurt-based chief investment officer for EMEA. That's because the ECB's debt purchases have just gotten started.

"German 10-year bond yields could go to zero," said Kreuzkamp, whose firm oversees about \$1.25 trillion. "We expect further gains for 2015. The same is true for peripheral bonds such as those issued by Italy and Spain."

Yields on German 10-year bunds, which were closer to 1.5 percent a year ago, were at 0.52 percent on May 5.

At the same time, the prospect of the Federal Reserve raising interest rates in the U.S. this year may ultimately sap demand for riskier assets such as junk bonds.

For an increasing number of investors, there are few good choices left as six years of easy-money policies by global central banks inflated prices of almost every asset imaginable.

A record 84 percent of professional investors in a Bank of America survey released in April said bonds were overvalued. More than half also thought both stocks and bonds are too expensive, the most in 12 years.

— *Anchalee Worrachate, Sally Bakewell and Katie Linsell*

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Bond Dealers Face Brain Drain in London as Analysts Go to Funds

They are the ideas men, pitching strategies to colleagues on London trading desks at banks from **Citigroup** to **Morgan Stanley**. Now they're leaving in droves to join investment firms.

At least 15 credit analysts have left lenders including **Credit Suisse** and **Deutsche Bank** in the past 17 months, according to people familiar with the departures. Fund managers **Apollo Global Management**, **BlueMountain Capital Management** and **CQS** are among their new employers.

Banks' fixed-income businesses are being squeezed by rules requiring them to hold more capital and take less risk. As they pull back, analysts are departing for the buy side, underscoring the shift in power toward money managers that are increasingly dictating the future of credit markets.

"There's a lot of frustration on the sell side," said **Brett Chappell**, Copenhagen-based head of fixed-income trading at **Nordea Investment Management**, which oversees 174 billion euros (\$198 billion). "Experienced and intelligent people who develop great trade ideas are not even sure if their traders can take on a new position in size, or if their bank would be willing to utilize its balance sheet."

Juan Manuel Munoz, a Deutsche Bank strategist who focused on distressed debt, departed in April and is moving to **Fortress Investment Group**, according to two people familiar with the matter. **Christian Leukers**, a credit analyst for banks on Deutsche Bank's trading desk, also left last month. He will start at **CQS**

in June, according to **Michael Rummel**, a spokesman for the hedge fund in London.

"We continue to build out and strengthen our capabilities across credit research and credit trading," said **Simon Finch**, chief investment officer for credit at **CQS** in London. "We see opportunities as banks continue to pare the use of their balance sheets."

Gildas Surry, a credit analyst covering European banks on the London trading desk of **BNP Paribas**, left last month and will join **Axiom Alternative Investments** as a senior analyst in June, according to a statement from the investment manager.

Regulations introduced since the financial crisis to protect against bank losses are eroding the incentives to make markets.

The average number of dealers providing prices for European corporate bonds dropped to 3.8 per trade last month, down from 8.8 in 2009, according to data compiled by Morgan Stanley. Liquidity in credit markets dropped by about 90 percent since 2006, according to estimates by **Royal Bank of Scotland**.

This backdrop makes desk analysts' jobs more difficult because traders are less likely to be able to act on their recommendations. A constant focus on cost efficiency is hurting lenders appetite for taking big positions that could affect the trading desks' bottom line.

As lenders withdraw from their traditional roles as market makers and warehouseers of bonds, hedge funds and asset managers are boosting their debt

holdings. That in turn is increasing demand for analysts.

"The role of the analyst is vital for the buy-side because if there is no trading then these bonds become a buy-to-hold investment," said **Andy Hill**, London-based director of market practice and regulatory policy at the **International Capital Market Association**. "You really need to do your homework before you buy them."

Strategists focused on distressed securities and high-yield bonds made up the largest proportion of those that have found new employment at investment companies.

Joerund Aarsnes Holterud, a former junk-bond analyst on Morgan Stanley's credit trading desk, joined **Apollo** earlier this year, and **Simon Matthews**, who held a similar role at Citigroup, joined **BlueMountain** last year. **Maxime Hennequet** left **Credit Suisse** last year, where he analyzed soured credits, and joined **CarVal Investors**.

Alex Field, a high-yield analyst at **Credit Suisse**, has joined **Oak Hill Advisors**, according to two people familiar with the matter.

Banks "have pulled back from making markets in bonds and that has created a situation where asset managers hold more and more of the inventory," said **Jon Mawby**, a London-based fund manager at **GLG Partners**, which manages \$30.5 billion. "These firms therefore need more resources to cope with the expanded universe of bonds they hold."

— Alastair Marsh

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Q&A

Covenant-Light Loans 'Not Prudent' for Middle-Market Lenders, Says Monroe's Koenig

Covenant-light loans have made their way down to the middle market, but **Ted Koenig**, president and CEO of **Monroe Capital**, says smaller lenders should be wary. He believes that Monroe, which has \$2.5 billion of AUM, is well positioned to help meet future demand for CLOs. He spoke with Bloomberg Brief's Kelly Blessing May 6.

Q: How do you define middle market?

A: Usually it's \$50 million of Ebitda or less. Anything more than \$75 million is the broadly syndicated market. The higher end of the middle market tends to be \$25 million of Ebitda and above, while the lower end is below \$25 million. In terms of spread, the higher end of the middle market tends to be 450 to 500 basis points over Libor, with the lower end at 650 basis points or so. Monroe tends to deal with the lower end of the middle market.

Q: Why do you focus on that area?

A: The risk-return. The spreads and the yields tend to be a little better because you don't have a lot of the bigger players chasing that business. But the deals don't come from the big private equity funds with neat packages around them, so you have to do the heavy lifting on each one. Our average deal size tends to be around \$50 million. We really don't go below \$10 million on the small side, and probably will go to \$150 million on the high side.

Q: What trends do you see in the middle market and more broadly?

A: Both markets are hot. Purchase-price multiples and leverage multiples are up. In the large market you're seeing a lot of covenant-light deals, probably 50 to 60 percent, which is challenging for lenders. With so much capital and the decline in supply, covenant-light is migrating down to the middle market. We don't do covenant-light in the middle market. It's not prudent as a lender.

Q: Who are your competitors?

A: Mostly regional banks. If they want to do a deal, they're going to win because their funding costs are zero. But new regulations have hindered the ability of

regional banks to do leveraged loans, which helps us. We're also seeing more competition from BDCs. The BDCs need about a 10 percent return to cover their dividends and expenses. We have a better funding cost and can do things substantially cheaper for borrowers. About half the BDCs in existence today don't generate net income sufficient to cover their dividend. There could be some consolidation in the space.

Q: Do you have a leverage limit?

A: It's not written in stone, but we like to play between 3 and 4.5 times leverage. That's our sweet spot. We might go higher for companies that have a lot of recurring revenue, such as media and software companies.

Q: What sectors do you like right now?

A: We're industry-agnostic because we have to be diverse. There are certain industries where we think the dynamics are favorable, such as health care, particularly in the services subsector. We like certain aspects of media and digital. We like some specialty manufacturing, where there's a barrier to entry and intellectual property associated with it. We try to stay away from things that are heavy on discretionary consumer spending. If the economy takes a leg down, those are the first to get hit. And I don't understand the energy space well enough, so generally we stay out of it.

Q: What are you doing in CLOs?

A: We've been doing CLOs since 2006, and we have a strong investor following. We did a middle market CLO in the fourth quarter that saw a lot of demand, so we

decided to ramp a broadly syndicated CLO. We got lucky because the timing to buy assets was very good at year-end. The market is much tighter today.

Q: How does the CLO market look?

A: With the European and U.S. risk-retention legislation and guidelines, investors are focused on managers that are compliant and have good track records. We're big enough to have the capability to comply with risk retention. If there's demand from investors, we'll try to facilitate it. We could do both a broadly syndicated CLO and another middle-market CLO in 2015.

Q: You were the first to be European risk-compliant for mid-market CLOs.

A: Yes, we have a very loyal European investor base. Those are the investors that purchased much of our fourth-quarter middle-market deal and encouraged us to do a broadly syndicated deal. It just so happened with the broadly syndicated deal that we found a lot of U.S. investor demand as well. The investor base is a combination of banks, insurance companies and asset managers. It was about 60/40 European for our middle-market deal and about 60/40 U.S. for our broadly syndicated deal.

Q: Would you open a European office?

A: I've thought about it. The challenge is that the European market is smaller, very specialized and not very liquid relative to the U.S. market. The U.S. has one set of laws, regulations and codes, while in Europe it's much harder to scale a business because you have a lot of diversity in that regard.

AT A GLANCE



Grew up: Chicago

Lives now: Chicago

Hobbies: Basketball, golf, softball, skiing, children

Favorite book: The Essential Wooden: A Lifetime of Lessons on Leaders and Leadership

Favorite music: Country

Favorite movie: My Cousin Vinny

Favorite vacation spot: Wisconsin lake house with family

Best investment advice: Stick to what you know and understand

INSIGHT: DIP FINANCING

More Than Half of EveryWare's \$100 Million DIP Loan Is Pre-Petition Debt

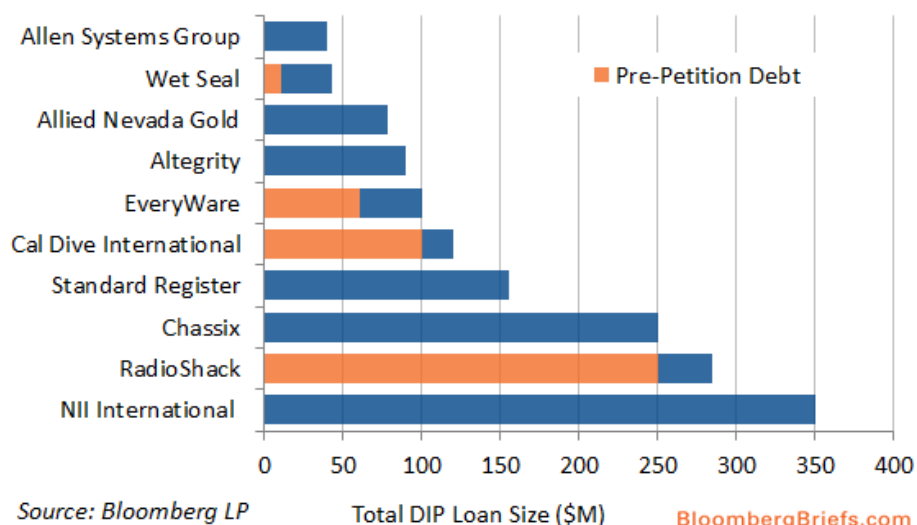
Pre-petition debt makes up more than half of **EveryWare Global's** \$100 million debtor-in-possession loan, which recently received final approval.

Everyware's financing is the sixth-largest DIP loan that has been green-lighted by a bankruptcy court judge so far this year, according to data compiled by Bloomberg. Of the \$100 million given to the provider of tabletop and food-preparation products, \$40 million is fresh capital and \$60 million is pre-petition debt rolled into the financing, Bloomberg data show.

Of the top 10 largest DIP loans approved to date, only four, including EveryWare's, had pre-petition debt. The other six, including **NII International's** \$350 million loan, were completely made up of fresh capital. The other three DIP borrowers with pre-petition debt were **RadioShack**, **Cal Dive** and **Wet Seal**.

RadioShack's \$285 million DIP loan, approved in March, includes \$250 million

How Much Pre-Petition Money Gets Rolled Over Into DIPs?



of pre-petition debt; Cal Dive's \$120 million loan, approved in April, is made up of \$100 million of pre-petition debt; and

Wet Seal's \$43 million DIP loan, approved in February, has \$10 million of the debt.

— Kurt Kester, Bloomberg Data Analyst

Top 10 DIP Borrowers This Year, Their Agents and Loan Terms

DEBTOR	AGENT	MARGIN	FINAL APPROVAL	DEBTOR INDUSTRY
NII International Telecom	Credit Suisse	L+700	3/23/2015	communications
RadioShack	Cantor Fitzgerald	L+650	3/6/2015	consumer discretionary
Chassix	PNC / Cantor Fitzgerald	L+900	4/10/2015	consumer discretionary
Standard Register	Bank of America / Silver Point	L+950	4/16/2015	consumer discretionary
Cal Dive International	Bank of America	L+675	4/20/2015	energy
EveryWare	Wells Fargo	L+900	4/28/2015	consumer discretionary
Altegrity	Cantor Fitzgerald	PIK - 1,200 Bps	3/16/2015	consumer discretionary
Allied Nevada Gold	Wilmington	L+1200	4/17/2015	materials
Wet Seal	B Riley & Co / Bank of America	Fixed at 10.25%	2/5/2015	consumer discretionary
Allen Systems Group	Newstar	L+600	3/17/2015	technology

Source: Bankruptcy court filings, Bloomberg LP

Bloomberg Commodity Index
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LOANS

U.S. Institutional Loan Pipeline

BORROWER	SPONSOR	AMOUNT (\$m)	TENOR (Yrs)	MARGIN (L+)	RANK	PRICE	L FLOOR	CALL PROTECT.	UOP	LEADS	COMMIT DATE
Arcade/Bioplan	-	283	6.3	475	1L	96	100	101 SC 4-Mo	Refi	GS/CS/BARC/DB	11-May
Arcade/Bioplan	-	105	7.3	825	2L	93	100	103/102/101	Refi	CS/GS/BARC/DB	11-May
PSAV	-	165	Incrm	350	1L	99.5	100	101 SC 6-Mo	Div	GS	11-May
Aria Energy	Ares EIF	200	7	425-450	1L	99	100	101 SC 6-Mo	Refi	BARC/RBC/MT/COM	12-May
RanPak	-	232	-	325	1L	100	100	101 SC 6-Mo	Reprice	MACQ	12-May
National Surgical	-	365	7	400-425	1L	99	100	101 SC 6-Mo	Acq	JPM	12-May
Presidio	-	575	-	425	1L	100	100	101 SC 6-Mo	Reprice	CS	13-May
Wideopenwest	-	1411	-	325	1L	100	100	101 SC 6-Mo	Reprice	CS	14-May
Physio-Control	-	350	7	450-475	1L	99	100	101 SC 6-Mo	Div, refi	C/JEFF/RBC/HSBC	14-May
Physio-Control	-	130	8	875-900	2L	98	100	102/101/100	Div, refi	C/JEFF/RBC/HSBC	14-May
Energizer	-	400	7	275-300	1L	99.5	100	-	GCP	JPM	14-May
Horizon	-	215	7	450-475	1L	99	100	101 SC 6-Mo	Div	JPM	14-May
Restaurant Brands	-	5140	-	275	1L	99.75-100	100	101 SC 6-Mo	Refi	JPM	14-May
At Home Holding	-	300	7	400-425	1L	99	100	-	Refi	BAML/JEFF	15-May
At Home Holding	-	130	-	-	2L	-	-	-	Refi	BAML/JEFF	15-May
Blackhawk Mining	-	300	5	1000	1L	98	100	NC 6-Mo/102/101/100	Refi	DB	18-May
Physiotherapy Assoc.	-	45	7	875-900	2L	98.5	100	102/101	Refi	GE	19-May
The Weather Co.	-	1000	-	425	1L	99.5	75	101 SC 6-Mo	Extension	DB	19-May
Salient Partners	Summit Partners	160	-	500	1L	99	100	101 SC 6-Mo	Refi, acq	MACQ	20-May
Infiltrator Systems	Teachers' Private	230	7	450	1L	99	100	101 SC 6-Mo	LBO	DB/RBC/NOM	21-May
Infiltrator Systems	Teachers' Private	115	8	875	2L	98.5	100	102/101/100	LBO	DB/RBC/NOM	21-May
Physiotherapy Assoc.	-	105	6	475	1L	99	100	-	Refi	GE	21-May
Paradigm Outcomes	Summit Partners	222	7	450	1L	99	100	101 SC 6-Mo	LBO	CS	26-May
Merrill Comms.	-	510	7	-	1L	-	100	101 SC 12-Mo	Refi	CS	27-May
Air Canada	-	300	-	325	1L	100	75	101 SC 6-Mo	Reprice	C	-
Houghton Mifflin	-	800	6	300-325	1L	99.5	100	101 SC 6-Mo	Acq	C/WF	-
Learning Care	-	318	6	400	1L	100	100	101 SC 6-Mo	Reprice	GS	-
PetSmart	-	4300	-	325	1L	100	100	101 SC 12-Mo	Reprice	C	-
ScriptRelief	-	205	7	400-425	1L	99	100	101 SC 12-Mo	Div	C	-
Transdigm	-	2553	-	275	1L	100	75	101 SC 6-Mo	Reprice	CS	-
Transdigm	-	1040	Add-on	275	1L	99.5	75	101 SC 6-Mo	Acq, GCP	CS	-
Pro Mach	-	377	-	350-375	1L	100	100	101 SC 6-Mo	Reprice	GS	-
American Airlines	-	1867	-	275	1L	-	75	-	Extension	DB	-
Blue Coat Systems	Thoma Bravo	1050	-	-	1L	-	-	-	LBO	JEFF	-
Coveris	-	617	-	-	1L	-	-	-	Reprice	GS, JPM	-
Dynacast	-	530	-	325-350	1L	99.75-100	100	101 SC 6-Mo	Reprice	JPM	-
Filtration	-	115	Incrm	-	1L	-	-	-	Refi	GS	-
American Gaming	-	250	Incrm	-	1L	-	-	-	Acq	JEFF/MACQ	-

Source: Bloomberg LP. [LSRC <GO>](#)

U.S. LOAN RETURNS BY SECTOR BLOOMBERG DATA

The JPMorgan Leveraged Loan Index returned 0.07 percent during the week ended May 7, closing at an all-time high of 150.25.

The broadcast and diverse media sectors were the only industry groups to generate negative returns on the week, losing 0.42 percent and 0.18 percent, respectively. Proposed mergers

between **Comcast** and **Time Warner Cable** and between **Bright House Networks** and **Charter Communications** were scrapped last week.

The energy sector continues to lead the market, gaining 0.81 percent as oil traded above \$60 a barrel for the first time in 2015.

— Spencer Cutter, Bloomberg Intelligence Analyst

JPMorgan Leveraged Institutional Loan Index Returns by Sector 4 P.M. MAY 7, 2015

SECTOR	JPMORGAN TICKER	STW (BP)	YTW (%)	TOTAL RETURN, % ^(1,2)			
				1 WEEK	1 MONTH	3 MONTH	YTD
Automotive	JLLIAUTO	349.37	4.99	0.07	0.40	1.73	2.71
Broadcast	JLLIBRDC	449.57	6.12	-0.42	0.20	2.25	3.17
Cable/Satellite	JLLICBLE	293.52	4.53	0.08	0.37	1.85	2.97
Chemicals	JLLICHEM	377.93	5.29	0.01	0.66	2.55	3.84
Consumer Products	JLLIPROD	404.24	5.62	0.13	0.68	2.39	3.36
Diverse Media	JLLIDVMD	554.71	7.11	-0.18	0.71	1.30	2.67
Energy	JLLIENER	694.54	8.54	0.81	4.40	7.12	6.41
Financial	JLLIFINL	383.84	5.44	0.15	0.96	3.29	4.15
Food & Beverage	JLLIFDBV	333.63	4.96	0.05	0.50	1.93	3.36
Gaming/Leisure	JLLIGAME	418.09	5.87	0.08	0.73	2.02	3.15
Healthcare	JLLIHLTH	368.86	5.25	0.09	0.18	1.61	2.69
Housing	JLLIHOUS	338.90	5.04	0.01	0.60	2.26	3.24
Industrials	JLLIINDU	388.01	5.52	0.01	0.70	2.36	3.20
Metals/Mining	JLLIMETL	757.89	8.98	0.12	1.19	2.21	-1.22
Paper & Packaging	JLLIPAPR	405.99	5.69	0.03	0.31	2.03	3.34
Retail	JLLIRETL	411.18	5.73	0.01	0.61	2.79	3.64
Services	JLLISERV	413.54	5.73	0.08	0.66	2.43	3.39
Technology	JLLITECH	398.68	5.55	0.04	0.62	2.47	3.35
Telecom	JLLITLCM	356.27	5.22	0.05	0.42	1.96	2.93
Transportation	JLLITRAN	377.11	5.22	0.12	0.61	2.06	3.05
Utility	JLLIUTIL	376.87	5.25	0.05	0.61	2.01	3.12
1L Leveraged Loans	JLLILLI	413.26	5.72	0.07	0.71	2.37	3.26
2L Leveraged Loans	J2LILLI	890.82	10.6	0.51	2.10	4.25	3.78
Loan Only	JLLILNOY	450.39	6.14	0.10	0.75	2.50	3.26
Loan & Bond	JLLILNBD	383.00	5.37	0.04	0.68	2.27	3.26
Libor Floor	JLLILFLR	413.48	5.74	0.07	0.73	2.39	3.28
No Libor Floor	JLLINLFL	409.50	5.36	-0.09	0.42	2.01	2.90
Cov-Lite	JLLICOVL	396.30	5.61	0.06	0.76	2.47	3.25
Not Cov-Lite	JLLINCVL	441.14	5.89	0.07	0.64	2.20	3.27
Domestic	JLLIUS	411.22	5.69	0.05	0.65	2.31	3.22
International	JLLIINTL	431.59	5.98	0.25	1.28	2.93	3.66
BB	JLLIBB	323.81	4.85	0.04	0.64	2.10	3.20
Split BB	JLLISBB	381.77	5.36	0.03	0.73	2.63	3.55
B	JLLIB	454.93	6.17	0.12	0.85	2.67	3.37
Split B	JLLISBCC	1,053.15	11.87	-0.34	-0.34	1.77	3.96
Not rated	JLLINR	548.36	6.81	0.08	0.92	2.52	2.99
US Leveraged Loan Index	JLLILLI	413.26	5.72	0.07	0.71	2.37	3.26

Source: JPMorgan Leveraged Loan Indices

Notes: Monthly and YTD performance data represents periods up to the current date. Green/red color coding ranks top/bottom three sectors in the period. [JLLI INDEX<GO>](#)

COST OF CREDIT — U.S. BOND MARKET

Linn Energy's 7.75 percent notes due 2021 rallied during the week after the company announced it expects the borrowing base on its revolver to be reduced 10 percent, to \$4.05 billion from \$4.5 billion. The independent natural gas explorer and producer also announced that it expects the borrowing base of

subsidiary Berry Petroleum to be reduced 14 percent, to \$1.2 billion from \$1.4 billion.

The tables below show benchmark U.S. high-yield bonds, grouped by industry, with price changes.

— Michael Campellone, Bloomberg Data Analyst

TECHNOLOGY

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
ADV MICRO	7.750	08/01/20	Caa1 B-	86.375	4.250	11.287	
FIRST DATA	12.625	01/15/21	Caa1 B-	117.688	-0.437	5.229	
FREESCALE	5.000	04/15/18	B1 B	105.375	0.062	3.122	
NXP FUNDING	5.750	08/01/18	Ba3 BB	106.188	-0.750	3.640	
AVAYA INC	10.500	12/15/18	Caa1 CCC+	88.000	-0.188	13.542	
SUNGARD	7.625	11/15/20	B3 B	106.125	0.000	2.639	

POWER/UTILITIES

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
AES CORP	8.000	06/01/20	Ba3 BB-	116.375	-0.438	4.390	
CALPINE CORP.	7.875	02/15/21	Ba3 BB	109.875	-0.938	4.078	
AMERIGAS FINANC	6.750	12/01/20	Ba2	106.313	-0.375	3.819	
GENON ENERGY	9.875	10/15/20	B3 B	103.625	0.000	8.583	
NRG ENERGY	8.250	09/01/20	B1 BB-	105.813	0.063	3.030	
AES CORP.	7.375	07/01/21	Ba3 BB-	111.750	-0.188	5.266	

ENERGY

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
BASIC ENERGY	7.750	02/15/19	B2 B	89.188	3.938	11.425	
CHESAPEAKE	6.125	02/15/21	Ba1 BB+	102.563	1.750	5.576	
ENERGY TRANSF	7.500	01/15/18	Ba2 BB	112.750	-0.250	4.810	
LINN ENERGY	7.750	02/01/21	B1 B	91.500	5.687	9.721	
KODIAK OIL	8.125	12/01/19	Ba2 BB	106.000	-0.500	3.902	
TARGA RES.	6.875	02/01/21	Ba2 BB+	105.063	-0.500	4.725	
TESORO CORP.	4.250	06/01/19	Ba2 BB+	104.625	0.000	2.019	

COMMUNICATIONS

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
CEQUEL COM	6.375	09/15/20	B3 B-	105.500	-0.063	3.817	
CLR CHNNL COM	9.000	03/01/21	Caa1 CCC+	95.125	-1.000	10.216	
CLR CHNNL VVV	7.625	11/15/22	B3 B	105.500	0.375	4.888	
CABLEVISION	8.625	10/15/20	B1 B	112.563	-0.375	2.657	
FRONTIER	8.250	04/15/17	Ba3 BB-	110.250	-0.688	2.838	
INTELSAT JACK.	7.250	10/15/20	B3 B+	102.063	-1.187	6.399	
INTELSAT LUX.	6.750	06/01/18	Caa2 CCC+	100.250	-0.125	6.582	
SIRIUS XM	5.750	04/01/15	Ba3 BB	104.500	-0.188	4.627	
SPRINT	6.900	05/01/19	B2 B+	103.250	-0.063	5.827	
UNIVISION	8.500	05/15/21	Caa2 CCC+	106.875	-0.563	2.823	

INDUSTRIAL

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
BOMBARDIER	7.750	03/15/20	B1 B+	106.063	-0.250	6.313	
CASE NEW HOLL.	7.875	12/01/17	Ba1 BB+	110.938	0.250	3.362	
NORTEK INC	8.500	04/15/21	B3 B-	108.250	-0.313	4.132	
DANA HOLDING	5.500	02/15/19	B2 BB+	102.688	-0.687	4.692	
GRAPHIC PACK.	4.750	04/15/21	Ba2 BB+	104.188	-0.062	3.956	
LOUISIANA-PAC	7.500	02/15/18	Ba3 BB	107.250	0.250	3.685	
FLORIDA EAST RR	6.750	02/01/17	B3 B	99.313	-0.687	7.042	

HEALTHCARE

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
TENET	8.000	08/01/20	B3 CCC+	105.000	-0.188	3.155	
LIFEPOINT	6.625	02/01/18	Ba2 BB-	104.813	-0.250	2.414	
HOLOGIC	6.250	08/01/20	B2 BB	103.813	-0.187	2.639	
VALEANT	6.750	12/01/18	B1 B	104.875	0.000	5.095	
BIOMET	6.500	10/01/20	B3 B-	106.063	0.688	0.784	
CHS	7.125	07/15/20	B3 B-	106.688	-0.437	4.356	
HCA	7.500	02/15/22	B2 B+	116.563	-0.312	4.535	

FINANCIAL

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
ALLY FIN.	8.000	02/12/15	B1 BB+	118.125	-1.188	3.820	
ALLY FIN.	8.000	11/01/31	B1 BB+	124.000	-1.875	5.709	
CIT GROUP	5.500	02/15/19	B1 BB-	104.938	0.188	4.014	
CIT GROUP	5.250	02/15/15	B1 BB-	103.813	-0.187	3.750	
OCWEN FIN	6.625	12/15/16	Caa1 CCC+	94.500	1.500	8.227	
SPRINGLEAF FIN	5.400	12/01/15	B2 B	101.813	0.000	2.561	
CIT GROUP	4.250	08/15/17	B1 BB-	101.875	0.000	3.436	

BASIC MATERIALS

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
AK STEEL	7.625	05/15/20	Caa1 B-	87.563	0.313	11.061	
HUNTSMAN	8.625	03/15/21	B2 B+	106.250	-0.188	2.701	
CELANESE	4.625	10/15/18	Ba2 BB+	101.063	-1.750	4.277	
CHEMTURA CORP	5.750	04/15/18	B1 BB-	102.625	-0.875	5.142	
HEXION US/NOVA	8.875	02/01/18	Caa2 CCC	90.875	1.375	12.561	
NOVELIS	8.750	12/15/20	B2 B	106.125	-0.938	5.314	

CONSUMER CYCLICAL

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
UNITED	6.000	09/15/15	B3 B+	105.875	-0.188	4.254	
GOODYEAR	8.250	08/15/20	B1 BB-	105.750	-0.125	1.755	
HOVNANIAN	7.250	10/15/20	Ba3 B-	104.750	-0.688	5.780	
LIMITED BRND	6.900	07/15/17	Ba2 BB-	110.000	-0.375	2.094	
JC PENNEY	5.650	06/01/20	Caa2 CCC-	88.063	-0.812	8.698	
MICHAELS	5.875	11/01/18	B3 B-	104.063	-0.375	4.502	
NAVISTAR	8.250	11/01/21	B3 CCC-	99.625	0.250	8.304	
RITE AID	9.250	03/15/20	B3 CCC+	110.375	-0.375	2.258	
ROYAL CARIBBEAN	7.250	03/15/20	Ba1 BB	111.688	-0.312	3.253	

CONSUMER NONCYCLICAL

ISSUER	CPN (%)	MRTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST	YTW 1M AVG LAST
CONSTELLATION	7.250	05/15/17	Ba1 BB+	110.125	-0.438	1.247	
DEAN FOODS	6.500	06/01/16	B2 BB-	103.750	0.375	5.807	
B&G FOODS	4.625	05/01/21	B1 BB-	100.563	0.063	4.522	
SPECTRUM	6.750	06/15/18	B3 B	105.563	0.250	-0.921	
SUPERVALU	8.000	05/01/16	B3 B-	105.563	-0.125	2.469	
TREEHOUSE FOODS	4.875	02/15/19	Ba2 BB	101.375	-1.875	4.640	

Source: Bloomberg LP

Notes: The black range bar indicates variation over the last month between the highest and the lowest yield to worst.

The purple diamond shows the monthly average. The orange dot shows the yield as of 4 P.M. May 8, 2015.

EUROPEAN LOANS

GALINA SHUROVA, BLOOMBERG DATA ANALYST

Western Europe Leveraged Loan Pipeline

BORROWER	SPONSOR	AMOUNT (M)	TENOR (YRS)	MARGIN (L/E+)	RANK	FLOOR	USE OF PROCEEDS	LEADS	COMMIT DATE
Delachaux	CVC Capital Partners	EUR 70	6	375	1L	-	Refi	DB	5/11/2015
Delachaux	CVC Capital Partners	EUR 335	6	375	1L	-	Refi	DB	5/11/2015
Delachaux	CVC Capital Partners	USD 250	6	350	1L	100	Refi	DB	5/11/2015
Eircom	-	EUR	7	450	1L	0	Refi	BNP/GS	5/20/2015
Partner in Pet Food (PPF)	Pamplona Capital Management	EUR	-	-	1L	-	Acq/LBO	CITI/UNI	5/26/2015
Partner in Pet Food (PPF)	Pamplona Capital Management	EUR	-	-	1L	-	Acq/LBO	CITI/UNI	5/26/2015
Comexposium	Charterhouse Capital Partners	EUR 240	-	-	1L	-	Acq/LBO	CA/ING/NAT/SG	-
Exterion Media	Platinum Equity	GBP 229	-	-	1L	-	Div/Recap	JPM	-
Exterion Media	Platinum Equity	EUR 60	-	-	2L	-	Div/Recap	JPM	-

Source: Bloomberg LP [LSRC <GO>](#)

Western Europe Leveraged Loans Signed May 4-8

BORROWER	SPONSOR	AMOUNT (M)	TENOR (YRS)	MARGIN (L/E+)	RANK	FLOOR	PROCEEDS	LEADS	SIGNED DATE
Busy Bees	Teachers' Private Capital	GBP 210	7	475	1L	-	Refi	BARC/GE/HSBC/JPM	5/1/2015
SIACI St Honore	Ardian	EUR 35	6	400	1L	-	Acq/LBO	BOI/BNP/CA/CIC/ING/NAT/SG	5/5/2015
SIACI St Honore	Ardian	EUR 250	7	450	1L	-	Acq/LBO	BOI/BNP/CA/CIC/ING/NAT/SG	5/5/2015

Source: Bloomberg LP [LSRC <GO>](#)

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COST OF CREDIT — EUROPEAN BOND MARKET

The tables below show benchmark high-yield bonds, grouped by industry, with price changes.

TECHNOLOGY

ISSUER	CPN (%)	MTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST (%)	YTW 1M AVG LAST
TEAMSISTEM HDG	7.375	5/15/2020	B2 B-	106.348	0.062	4.482	
INTERXION HDG	6.000	7/15/2020	B2 B+	106.622	-1.431	3.950	
CEGEDIM SA	6.750	1/4/2020	BB-	108.928	-0.015	2.206	

POWER/UTILITIES

ISSUER	CPN (%)	MTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST (%)	YTW 1M AVG LAST
EDP FINANCE BV	4.750	9/26/2016	Baa3 BB+	105.726	-0.199	0.557	
ZAGREBACKI HLDNG	5.500	12/31/2034	Ba2 B	95.600	0.119	7.775	
REN FINANCE BV	4.750	10/16/2020	Baa3 BB+	117.110	-0.736	1.449	
REN REDES ENER.	4.125	1/31/2018	Baa3 BB+	108.667	-0.252	0.888	
PPC FINANCE PLC	5.500	5/1/2019	CCC+	73.249	0.215	14.617	

ENERGY

ISSUER	CPN (%)	MTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST (%)	YTW 1M AVG LAST
MOL HUNGARIAN	3.875	10/5/2015	BB	101.110	-0.182	1.063	
CHESAPEAKE	6.250	1/15/2017	Ba1 BB+	106.931	-0.188	2.019	
CE ENERGY AS	7.000	2/1/2021	B1	103.257	0.571	6.006	
CGG SA	5.875	5/15/2020	B1 B	97.229	-0.067	6.532	
ENCE ENERGIA	7.250	2/15/2020	B1 BB-	107.503	-0.220	4.213	

COMMUNICATIONS

ISSUER	CPN (%)	MTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST (%)	YTW 1M AVG LAST
UNITYMEDIA HESSEN	4.000	12/1/2018	Ba3 BB-	101.711	-1.040	3.741	
TELECOM ITALIA	7.000	1/20/2017	Ba1 BB+	110.663	-0.121	0.645	
WIND ACQUISITION	7.000	4/23/2021	Caa1 B	106.441	-0.690	5.171	
ALTICE SA	7.250	5/15/2022	B3 B	104.083	0.035	6.286	
NUMERICABLE GRP	5.625	5/15/2024	Ba3 B+	105.603	-0.531	4.678	

INDUSTRIAL

ISSUER	CPN (%)	MTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST (%)	YTW 1M AVG LAST
HEIDELBERGCEMENT	8.000	1/31/2017	Ba1 NR	112.295	-0.217	0.775	
LAFARGE SA	6.625	11/29/2018	Ba1 BB+	116.046	-0.054	1.904	
BOMBARDIER INC	6.125	5/15/2021	B1 B+	108.071	-0.791	4.573	
FINMEC FINANCE SA	4.500	1/19/2021	Ba1 BB+	111.337	-0.991	2.346	
ARDAGH/HDGS USA	4.250	1/15/2022	Ba3 B+	101.872	-0.674	3.756	

INTEGRATED INDUSTRIALS

ISSUER	CPN (%)	MTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST (%)	YTW 1M AVG LAST
FRANZ HANIEL	5.875	2/1/2017	Ba1 BB+	108.748	-0.152	0.752	
NOVALIS SAS	6.000	6/15/2018	WR NR	-	-	-	
SCHAEFFLER	5.750	11/15/2021	B1 B	108.481	-0.482	3.307	
GCS HOLDCO FI	6.500	11/15/2018	B2 B	104.910	-0.130	3.083	
STENA AB	6.125	2/1/2017	B2 BB	105.855	-0.130	2.617	

FINANCIAL

ISSUER	CPN (%)	MTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST (%)	YTW 1M AVG LAST
BANCO POPOLARE	3.750	1/28/2016	Ba3 NR	101.856	-0.073	1.122	
C.A. BARCELONA	7.500	1/31/2017	NR	110.438	-0.125	1.357	
B POPOLARE/ MILANO	4.000	1/22/2016	B1 B+	101.738	-0.037	1.469	
GOVERNOR & CO	3.250	1/15/2019	Ba1 BB+	107.076	-0.016	1.268	
BPE FINANCIACIONES SA	2.875	5/19/2016	Ba3	101.866	-0.040	1.025	

BASIC MATERIALS

ISSUER	CPN (%)	MTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST (%)	YTW 1M AVG LAST
THYSSENKRUPP FIN N	8.500	2/25/2016	Ba1 BB	106.144	-0.151	0.686	
THYSSENKRUPP AG	4.375	2/28/2017	Ba1 BB	105.947	-0.088	1.022	
ARCELORMITTAL	10.625	6/3/2016	Ba1 BB	110.319	-0.343	0.809	
CLARIANT FINANCE LUX	5.625	1/24/2017	Ba1 BBB-	108.399	-0.145	0.651	
INEOS GROUP HDGS	5.750	2/15/2019	B3 B-	102.294	-0.381	4.848	

CONSUMER CYCLICAL

ISSUER	CPN (%)	MTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST (%)	YTW 1M AVG LAST
CNH INDUSTRIAL FIN EU	6.250	3/9/2018	Ba2 BB+	111.624	-0.045	1.976	
FIAT FINANCE & TRADE	4.750	3/22/2021	B2 BB-	108.955	-1.230	3.056	
FIAT FINANCE NO AM	5.625	6/12/2017	B2 BB-	107.175	-0.209	2.071	
DEUTSCHE LUFTHANSA	6.500	7/7/2016	Ba1 BBB-	106.830	-0.141	0.542	
RENAULT SA	4.625	9/18/2017	Ba1 BBB-	109.250	-0.069	0.650	

CONSUMER NONCYCLICAL

ISSUER	CPN (%)	MTY	RATING	LAST PRICE	1 WK PRICE CH	LAST YIELD TO WORST (%)	YTW 1M AVG LAST
FRESENIUS FINANCE	4.250	4/15/2019	Ba1 BB+	112.000	-0.356	1.116	
VERISURE HOLDING	8.750	9/1/2018	B1 B	106.613	-0.062	1.254	
ONTEX IV	4.750	4/15/2018	Ba3 BB-	107.626	-0.078	2.517	
FMC FINANCE VIII SA	6.500	9/15/2018	Ba2 BB+	117.203	-0.596	1.229	
BARRY CALLEBAUT	6.000	7/13/2017	Ba1 BB+	111.018	-0.229	0.852	

Source: Bloomberg LP

Notes: The black range bar indicates variation over the last month between the highest and the lowest yield to worst.

The purple diamond shows the monthly average. The orange dot shows the yield as of 4 P.M. May 8, 2015.

EURO JUNK BOND RETURNS BY SECTOR BLOOMBERG DATA

Communications Bonds Underperform Amid Broad Weakness in Index

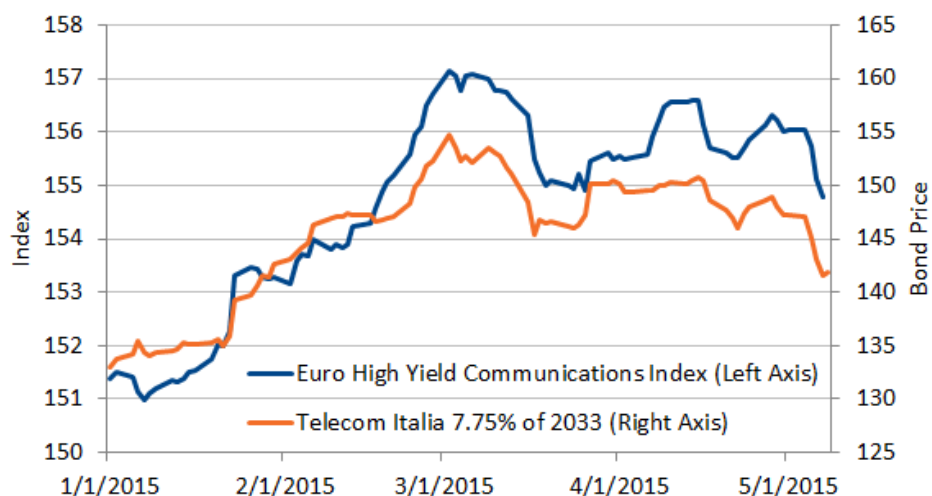
The Bloomberg Euro High Yield Index lost 0.49 percent on a total-return basis during the week ended May 7. The yield to worst rose 21 basis points, to 3.72 percent.

All sectors were in negative territory apart from energy, which gained 0.02 percent. The communications sector was the biggest underperformer, with a loss of 0.81 percent. **Telecom Italia's** 7.75 percent notes due 2033 lost roughly 3.6 percent over the week as the company was expected to report lower revenue and net income.

By maturity, bond due in 10 years or more continued to underperform, at negative 2.82 percent, while bonds due in 1 to 3 years outperformed, at negative 0.09 percent.

— Aselya Kerimkulova, Benedict Metuh,
Bloomberg Data Analytics

Telecom Italia Bond Drags Sector Return Lower



Source: Bloomberg LP

BloombergBriefs.com

Bloomberg Euro High Yield Corporate Index-Sector Returns and Characteristics

Sector	Bloomberg Ticker	Credit Ratings	OAS bp	Duration Years	Avg YTW	Total Return, % ^{1,2}			
						1 week	1M	3M	YTD
Communications	BEUHCO	BB-	380.54	4.66	4.06	-0.81	-0.73	0.51	2.25
Consumer Discretionary	BEUHCD	BB-	385.94	3.35	3.96	-0.57	-0.38	1.37	3.06
Consumer Staples	BEUHCS	BB-	290.88	3.99	3.05	-0.57	-1.03	1.50	2.58
Energy	BEUHEN	BB+	443.38	3.10	4.45	0.02	0.04	3.38	5.83
Financials	BEUHFI	BB-	338.59	3.56	3.48	-0.43	-0.35	1.33	2.23
Health Care	BEUHC	BB-	310.24	3.53	3.28	-0.31	-0.26	1.27	2.85
Industrials	BEUHI	B+	435.02	3.79	4.52	-0.41	-0.47	1.35	2.45
Materials	BEUHMA	BB	278.98	3.54	2.83	-0.35	-0.21	1.17	2.17
Technology	BEUHTE	B+	341.05	2.79	3.54	-0.22	-0.17	1.29	2.40
Utilities	BEUHUT	B	836.42	3.13	8.43	-0.21	0.59	1.10	1.99
Maturity									
10+ Years	BEUH10	BB	340.78	10.87	4.25	-2.82	-4.24	-0.12	5.33
1 to 10 Years	BEUH110	BB-	360.26	3.49	3.70	-0.41	-0.30	1.29	2.44
1 to 3 Years	BEUH13	BB-	301.71	1.88	2.87	-0.09	0.15	0.66	0.91
1 to 5 Years	BEUH15	BB-	341.81	2.55	3.39	-0.19	0.07	1.17	2.05
5 to 10 Years	BEUH510	BB-	385.86	4.80	4.15	-0.72	-0.80	1.49	3.03
Euro High Yield	BEUH	BB-	359.67	3.71	3.72	-0.49	-0.41	1.24	2.50

Source: Bloomberg Euro High Yield Corporate Bond Index [BEUH INDEX <GO>](#)

Notes: 1) Monthly and YTD performance data represents periods up to the current date. 2) Green/red color coating ranks performance of the top/bottom segments in the period as of 4 P.M. May 7, 2015.

