

A diagonal strip on the right side of the page contains a blurred financial chart with various data series in green and red, and numerical values like 1205, 1270, and 1275.

2016 Global High-Yield Bond Study

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The sample population may not be an exact representation of the universe of deals because of limitations in the availability of deals.

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Overview

Executive Summary

Welcome to this fifth edition of Proskauer's *Global High-Yield Bond Study*, our analysis of market trends for high-yield bond offerings.

Using analyses from our proprietary database of over 1,500 high-yield bond deals, our study covers deals closed globally between 2011 and 2015 that meet our selection criteria. We categorize deals by geography, deal size, industry, credit rating and whether they are backed by private equity sponsors.

2015 Overview: An (even) slower year for high-yield, but a tale of two halves*

Activity in the global market for high-yield bonds continued to subside in 2015. Deal value was significantly lower at \$276 billion, compared to \$352 billion in 2014 and \$372 billion in 2013 – a decrease of 26% since 2013. Global high-yield deal count dropped to 444 from 2014's 664 and 2013's 808 – a decrease of 45% since the market high 2013.

Nearly three-quarters of 2015's global high-yield deals (72%) were completed in the first half of the year, with only 28% completed in the second half. We believe the significant slowdown in the high-yield market in the second half was generally attributable to commodity price volatility, perceived weakness in emerging markets and uncertainty around domestic interest rate policy, which ultimately led to significant outflows and investor redemptions from high-yield bond ETFs and managed funds.

Looking at specific industries, 2015 saw a significant decline in the number of new issues in the Oil & Gas space, accounting for only 11% of all deals completed and only 6% of all deals completed in the second half, compared to 16% of all deals completed in 2014 and 16% of deals completed in the second half of 2014. This decline can be attributed to investor wariness with leverage/cash flow profiles of certain Oil & Gas companies as oil prices continued to decline throughout the year.

Notwithstanding the overall market weakness in the second half of 2015, our analysis revealed that covenant packages generally provided for increased issuer flexibility during that period, which we believe is attributable to a greater proportion of BB rated deals being completed in the second half versus the first half of 2015. Specifically, BB rated deals represented 52% of deals completed in the second half (and notably 60% of deals completed in the fourth quarter). In contrast, BB rated deals represented only 27% and 28% of deals completed in 2014 and 2013, respectively. CCC rated deals represented just 5% of deals completed in the second half of 2015, with no CCC rated deals being completed in the fourth quarter, compared to 6% and 19% in 2014 and 2013, respectively.

The 2016 high-yield market...so far

The high-yield market slowdown continued into Q1 2016, with only 55 deals completed through the end of the first quarter (10 in January, 14 in February and 31 in March). Not surprisingly, 40% of deals completed in the first quarter were BB rated. Interestingly, despite the gradual uptick in deal count as the quarter progressed, only one CCC deal was completed during the month of March, demonstrating the continuing trend of investor flight to better credits which began in the second half of 2015. Of note, 2 of only 4 CCC deals completed in the first quarter appeared to be holdovers from late 2015 acquisition financing bridge commitments, which were restructured and priced wide of expectations in an effort to complete syndication and terminate bridge commitments as early as possible in 2016. We believe market volatility will persist in Q2 2016, which could impact full-year deal value, deal volume and covenant quality.

*Source: *Prospect News*. Includes only bonds denominated in U.S. dollars.

Note: *Prospect News* considers tranches as part of the same transaction to be separate deals.

Executive Summary

Key takeaways

The study yielded a number of noteworthy observations about trends and practices among the high-yield deals in our database:

Sponsors continue to drive greater flexibilities in the market (pages 20, 25, 51, 85, 172).

High-yield issuers backed by private equity sponsors generally continue to benefit from greater flexibility in deal terms than non-sponsor-backed issuers. For instance:

- The percentage of deals allowing the issuer to call more than 35% of an issue using the proceeds of certain equity offerings during the non-call period was significantly higher for sponsor-backed deals in 2015 (71%) than for non-sponsor backed deals (30%)
- The average size of the senior credit facilities debt basket for sponsor-backed issuers in 2015 was 333% of the issuer's LTM EBITDA, compared to 223% for non-sponsor backed deals
- The percentage of deals that included restricted payments baskets for excluded contributions and 6% of IPO proceeds was meaningfully higher for sponsor-backed deals than for non-sponsor backed deals
- The issuer's ability to call 10% of an issue at 103% of par annually during the non-call period continued to rise in sponsor-backed deals, and
- The percentage of deals requiring 30% of noteholders to accelerate (as opposed to the more traditional 25%) was significantly higher for sponsor-backed deals in 2015 (39%) than for non-sponsor backed deals (8%)

European high-yield has become a mainstream asset class with evolving market terms (pages 17, 22, 53, 82, 97).

High-yield issuances in Europe continue to represent a significant portion of the global market. In 2014 we saw a trend towards more creativity and flexibility in EMEA deals and this trend persisted in 2015.

In particular, investors in EMEA deals tend to reward issuers for raising equity as evidenced by the following:

- 64% of EMEA deals allowed the issuer to call more than 35% of an issue using the proceeds of certain equity offerings during the non-call period vs. 36% in the U.S.
- 64% of EMEA deals included a contribution debt basket vs. 33% in the U.S., and
- 72% of EMEA deals included a restricted payments basket for 6% of IPO proceeds vs. 32% in the U.S.

Issuers in EMEA also benefitted from more flexible call protection than U.S. issuers. For example, 21% of EMEA deals permit the issuer to call 10% of an issue at 103% annually during the non-call period, which is five times the U.S.'s 4%. Moreover, EMEA continues to have the highest percentage of deals permitting the issuer to make unlimited restricted payments subject to a pro forma leverage test.

Investment-grade or hybrid covenant packages in the high-yield market

A meaningful percentage of high-yield deals have terms and covenant packages that mirror the investment-grade market, or hybrid terms between the investment-grade and high-yield markets. While many of these deals in 2015 were for larger, public companies that were BB credits at the time of issuance and were often formerly investment-grade (or "fallen angels"), several issuers rated below BB were also able to negotiate investment-grade or hybrid covenant packages. Deals in the homebuilding and financial services industries were far likelier than deals in other industries to contain an investment-grade covenant package. For example, in 2015, 63% of homebuilding deals had an investment-grade covenant package, which was in line with 2014. While 43% of financial services deals had an investment-grade covenant package in 2015, this nonetheless represented a 10% decrease from 2014, which may be a signal that investors are requiring a more robust, traditional high-yield covenant package in deals involving financial services.

Executive Summary

Continued shift toward private-for-life, with certain exceptions (pages 138–143).

Most high-yield deals have historically been private offerings under Rule 144A, but came with registration rights obligating the issuer to exchange the private bonds for registered bonds, typically within the first year of issuance. Until relatively recently, there was a perception that issuers would have to pay a higher interest rate to issue bonds without registration rights, known as “private-for-life” deals, given a perceived lack of liquidity by bondholders. But in recent years the market has become much more receptive to private-for-life deals with seemingly little or no incremental interest cost to the issuer.

In 2015, 52% of U.S. high-yield deals were private-for-life, which was in line with the percentage of U.S. high-yield deals that were private-for-life in 2014, but both years represented a meaningful increase from the 33% of deals in 2012. Despite this overall trend, 2015 saw an increase in the percentage of CCC rated deals that were offered *with* registration rights. 22% of CCC rated deals in 2015 came with registration rights, up from 16% in 2014, which may be a signal that investors are requiring more robust financial and operational disclosures in deals by weaker credits. Going forward, issuers may look to steer clear of certain Trust Indenture Act implications that courts and plaintiffs are beginning to associate with out-of-court debt restructurings via consent solicitations and debt exchange offers involving high-yield bonds that are registered with the SEC or have registration rights. In light of recent case law and court filings, we believe an increasing number of issuers may seek to avoid issuing bonds with registration rights in light of such perceived risks.

Rise in first-priority lien deals (pages 158-163).

Although secured deals continued to represent approximately one-third of the overall number of deals from 2012 through 2015, there was a notable uptick in secured deals in 2015 (34% of deals, versus 29% of deals in 2014), which can likely be attributed to increased investor demand for collateral coverage in light of 2015's macroeconomic environment. There was also a significantly higher percentage of smaller deals (under \$200 million issue size) being secured in 2015 (52%) compared to 2014 (39%). With respect to relative lien priorities in secured deals, 2015 revealed a trend reversal, with 64% of secured deals being secured by first priority liens putting an end to the trend in 2012-2014 toward second lien and split collateral deals.

Weaker credits often get better terms (pages 24, 55, 79, 84, 99).

In 2015, as in preceding years, some weaker credits (rated CCC and below) negotiated terms that were more issuer-friendly than did higher-rated credits (rated B or better). For example, the percentage of deals that permitted a greater than 35% equity clawback, a contribution debt basket, an excluded contribution restricted payments basket, a 6% of IPO proceeds restricted payments basket and unlimited leverage-based restricted payments was higher for CCC deals than for higher-rated deals. However, such weaker credits represented only 10% of total deals globally in 2015, down from 14% in 2014.

Executive Summary

Smaller, more illiquid credits contained more flexible terms in 2015 (pages 22, 53, 77, 82, 97).

Smaller high-yield deals (less than \$200 million issue size) have historically been more structured with tighter covenant packages due to their perceived illiquidity. However, 2015 saw an uptick of smaller deals negotiating more flexibility with respect to a variety of terms historically reserved for larger, more broadly syndicated deals. For example:

- 53% of smaller deals contained a greater than 35% equity clawback, compared to 19% in 2014 and 7% in 2013
- 52% of smaller deals contained a contribution debt basket, compared to 47% in 2014 and 18% in 2013
- 61% of smaller deals contained an excluded contributions restricted payments basket, compared to 42% in 2014 and 32% in 2013
- 67% of smaller deals contained a 6% of IPO proceeds restricted payments basket, compared to 36% in 2014 and 40% in 2013, and
- 39% of smaller deals permitted unlimited leverage-based restricted payments, compared to 8% in 2014

Industry matters: Trends in the Oil & Gas and TMT industries (pages 18, 30, 37, 43, 54, 73, 78, 83, 98, 149, 156).

The incidence of certain terms and flexibilities often continues to be driven more by an issuer's industry than its rating or credit quality. In particular, certain key terms in deals in the Oil & Gas and TMT industries were often different than those similar terms for issuers in other industries.

For example, deals in the Oil & Gas industry in 2015 were notably different with respect to the following:

- a greater incidence of a ratio debt test requiring a FCCR of greater than 2 to 1 (33% of Oil & Gas deals compared to 15% of all other deals) and
- a lower incidence of a contribution debt basket (16% of Oil & Gas deals compared to 44% of all other deals), restricted payments with an excluded

contributions basket (23% of Oil & Gas deals compared to 53% of all other deals), a restricted payments with 6% of IPO proceeds basket (23% of Oil & Gas deals compared to 45% of all other deals) and the ability to make unlimited restricted payments subject to a pro forma leverage test (3% of Oil & Gas deals compared to 46% of all other deals)

Furthermore, notwithstanding the perceived decline in creditworthiness of issuers in the Oil & Gas industry as a result of the decline in oil and other commodity prices, only 23% of Oil & Gas deals in 2015 were secured (compared to 36% for all other deals) and Oil & Gas deals had the highest incidence of Covenant Fall-Away provisions in 2015 (55% of Oil & Gas deals compared to 8% of all other deals), meaning once the bonds achieved investment grade status, most covenants would "fall away" and not be reinstated if the bonds were then subsequently downgraded to non-investment grade.

In addition, deals in the TMT industry in 2015 were far likelier than deals in other industries to contain:

- a ratio debt test based on a leverage ratio instead of a FCCR ratio (72% of TMT deals compared to 3% of all other deals) and a restricted payments general build-up basket based on cash flow instead of net income (46% of TMT deals compared to 8% of all other deals)
- the ability to call 10% of an issue at 103% of par annually during the non-call period (17% of TMT deals compared to 7% of all other deals)
- the ability to make unlimited restricted payments subject to a pro forma leverage test (51% of TMT deals compared to 37% of all other deals), and
- change of control portability (43% of TMT deals compared to 14% of all other deals).

In conclusion

We hope you enjoy the *2016 Global High-Yield Study* and welcome your feedback and questions. Please feel free to contact any of our attorneys listed inside the front cover.

Overview and Methodology

General

- Our 2016 Study reflects over 1,500+ high-yield deals closed globally from 2011–2015.
- Our 2016 Study analyzes trends from 2012–2015.
- Data is broken down by geography, deal size, industry, rating and whether sponsor-backed.

Methodology

- Outliers that were three or more standard deviations away from the mean for any given data set were excluded from our calculations.
- In circumstances where less than 1% of reviewed transactions contained a specific term, such term was excluded from our calculations.
- Deals in the sample population with only a pledge of stock are not considered to be secured deals for purposes of this study. In addition, for purposes of identifying lien priorities, deals with “super priority” payment rights are not considered to have lien priority.
- Certain deals reviewed also include high-yield rated bonds with investment-grade or hybrid covenant packages. These deals have been excluded for purposes of our covenant analysis.

Allocation

- In geographic analysis, Canada is included in the U.S. data, Australia is included in the Asia data and issuers operating in the Caribbean are included in the Latin America data.
- In industry breakdown, deals in the sample population are categorized as follows:
 - Issuers in the real estate industry are included in our Hospitality/Gaming category.
 - Issuers in the power and mining industries are included in our Industrials category.
 - Service providers to the oil & gas industry are included in our Oil & Gas category.

Overview and Methodology

Financial Metrics

- EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is based on the applicable issuer's trailing four quarters (or last 12 months, if applicable) of EBITDA disclosed in the relevant marketing materials.
- Total assets calculations are based upon the total assets of the applicable issuer as set forth in the most current balance sheet data disclosed in the relevant marketing materials.
- References to EBITDA include "Adjusted EBITDA" when the relevant marketing materials contained such presentations and "Pro Forma EBITDA/Adjusted EBITDA" when such metrics were presented.

Ratings

- All ratings categories are based on credit ratings by Standard & Poor's.
- Calculations based solely on rating exclude deals that were not rated.
- The rating categories do not distinguish "+" or "-" signs within a ratings category.

Glossary

6% IPO Proceeds: A basket permitting restricted payments of up to 6% (or more) of the proceeds received from an IPO.

103% Redemption: The ability of the issuer to call up to 10% of notes per year at 103% of par during the non-call period.

Cash Flow-Based: With respect to the restricted payments builder basket, a restricted payments test based on EBITDA minus a multiple of interest expense.

Change of Control Portability: The bondholders' change of control put right is only triggered if, after giving effect to the transaction, both a change of control and an additional negative event occurs (such as a failure by the issuer to meet a specified leverage ratio test or a reduction in the rating of the notes).

Contribution Indebtedness: A basket permitting debt in an amount equal to 100% (or more) of the amount of proceeds received from equity issuances or cash contributions to equity capital.

Covenant Fall Away: Certain covenants are permanently removed upon the issuer's achievement of investment-grade ratings.

Covenant Suspension: Certain covenants are suspended upon the issuer's achievement of investment-grade ratings, but reinstated if the issuer's ratings are subsequently downgraded to non-investment-grade.

Designated Non-Cash Consideration: For purposes of satisfying the cash consideration test for asset sales, the ability to treat a certain amount of non-cash consideration as if it were cash.

EBITDA: Earnings before interest, taxes, depreciation and amortization.

Equity Claw: The ability of the issuer to call a certain percentage of bonds with the proceeds of certain equity issuances during the non-call period.

Glossary

Excluded Contributions: A basket permitting restricted payments equal to the amount of proceeds received from equity issuances or cash contributions to equity capital that are designated by the issuer as “excluded contributions” and are not subject to the conditions required to utilize the restricted payments builder basket including being within the applicable debt incurrence ratio.

FCCR (Fixed Charge Coverage Ratio): Generally EBITDA divided by fixed charges.

Leverage Ratio: Generally debt divided by EBITDA.

Net Income-Based: With respect to the restricted payments builder basket, a restricted payments test based on 50% of consolidated net income.

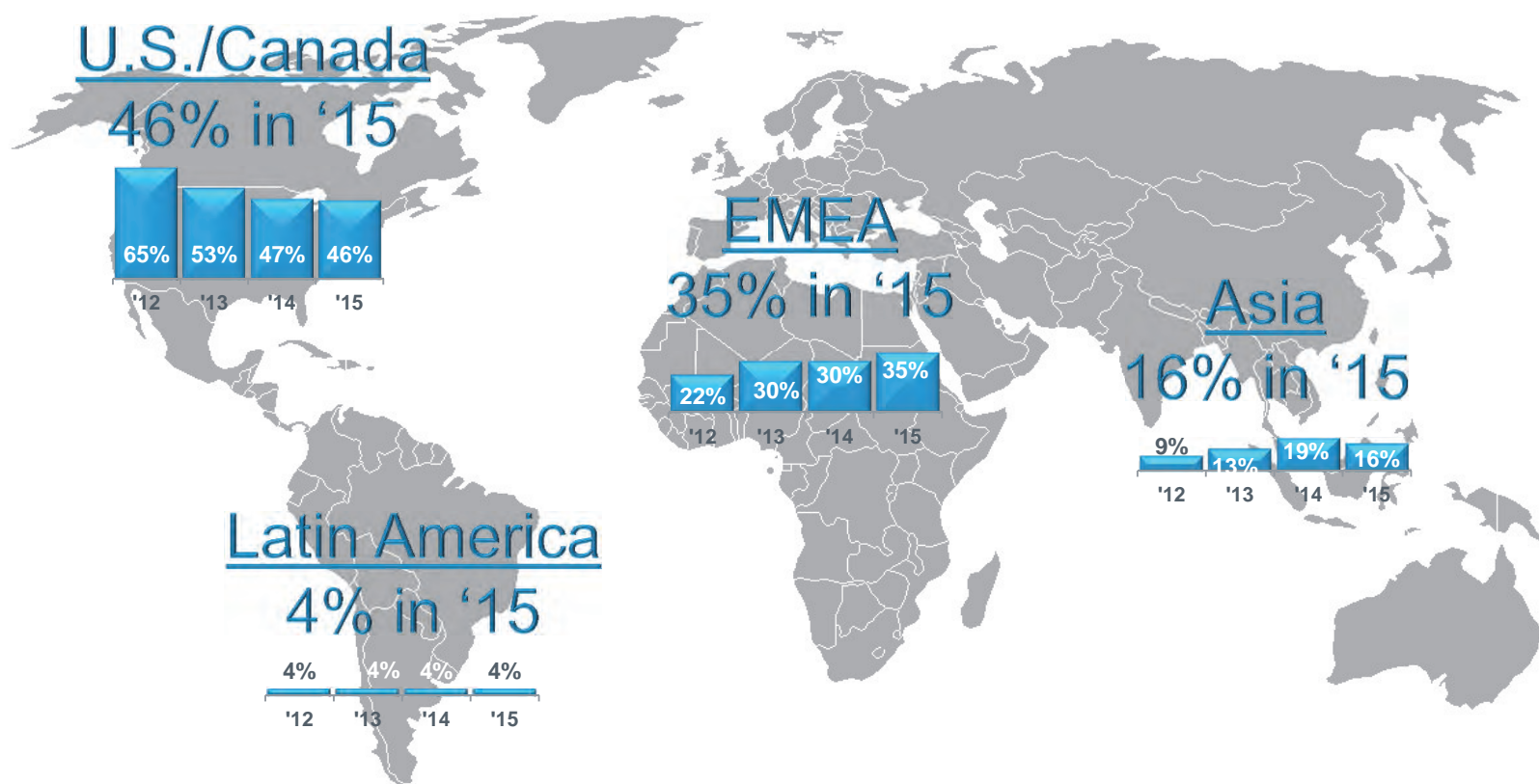
Ratio Debt Condition: With respect to mergers and consolidations, whether the issuer must meet the debt incurrence ratio test on a pro forma basis, or if such ratio must only improve or be no worse on a pro forma basis.

Secured Leverage Grower: A basket permitting unlimited liens on debt subject to a pro forma secured leverage test.

Unlimited Leverage-Based Restricted Payments: A basket permitting unlimited restricted payments subject to a pro forma leverage test.

2015 Global High-Yield Market

% of Deal Count



Source: Prospect News (All countries, all currencies)

Categories of Analysis

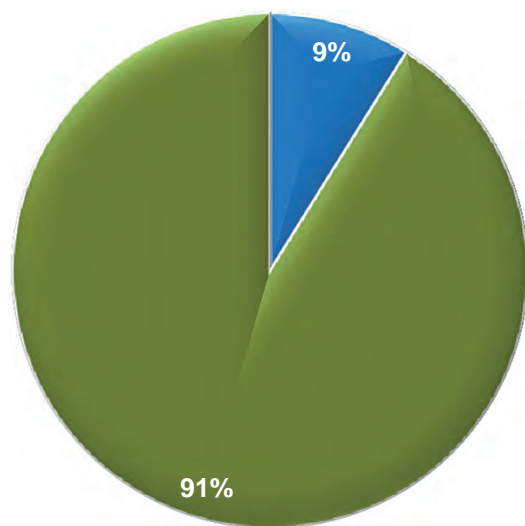
- Geography
 - U.S./Canada
 - Europe, Middle East and Africa (EMEA)
 - Asia
 - Latin America
- Size of Deal
 - Small: \$0–\$200 million
 - Medium: \$201–\$499 million
 - Large: \$500 million+
- Industry
 - Consumer
 - Financial Services
 - Health Care
 - Hospitality/Gaming
 - Industrials
 - Oil & Gas
 - Technology, Media and Telecommunications (TMT)
- Ratings
 - BB
 - B
 - CCC
- Sponsor vs. Non-Sponsor



Call Protection

103% Redemption % of Deals

Global 2015



■ With 103% Redemption
■ Without 103% Redemption

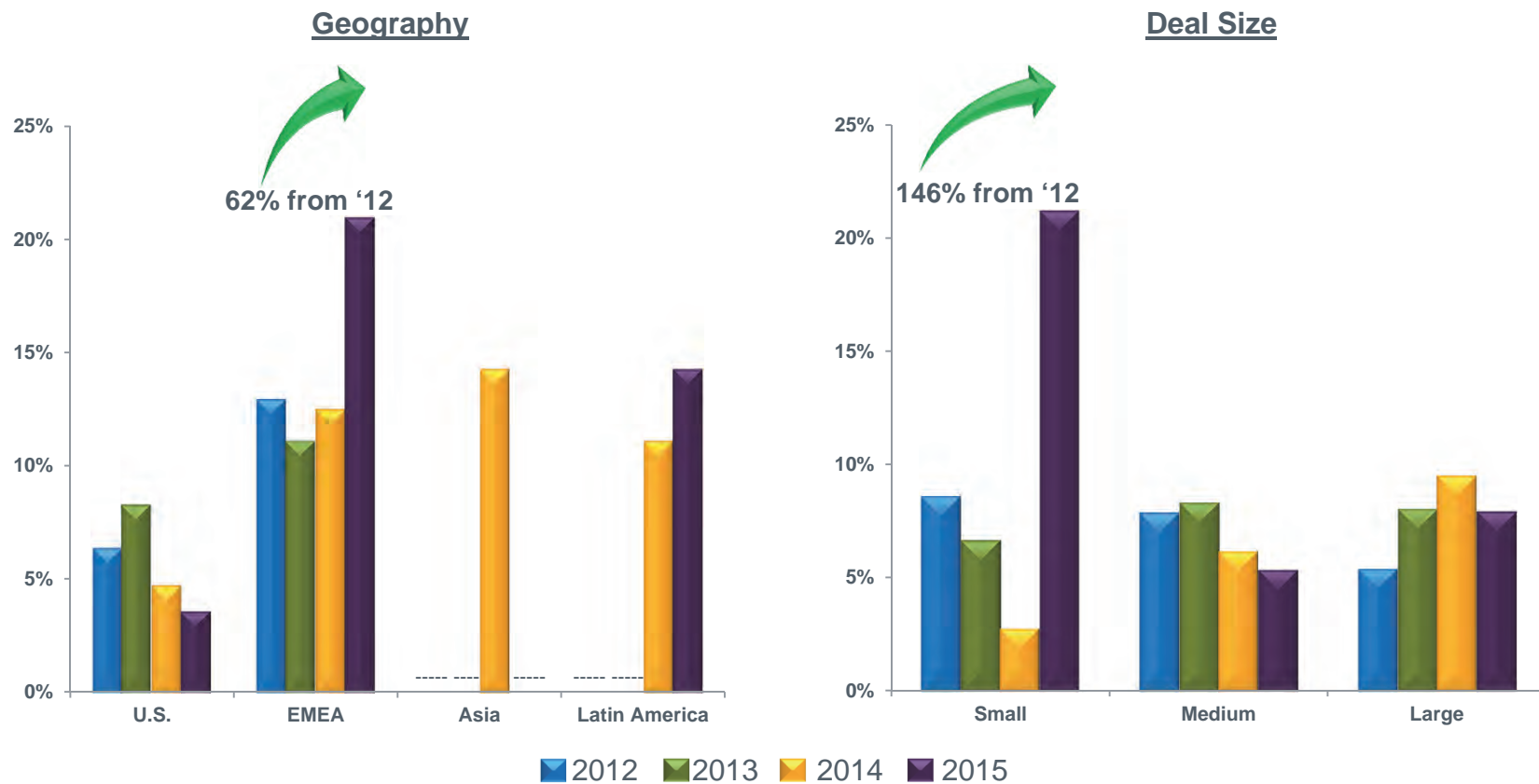
Global

% of Deals with 103% Redemption



103% Redemption

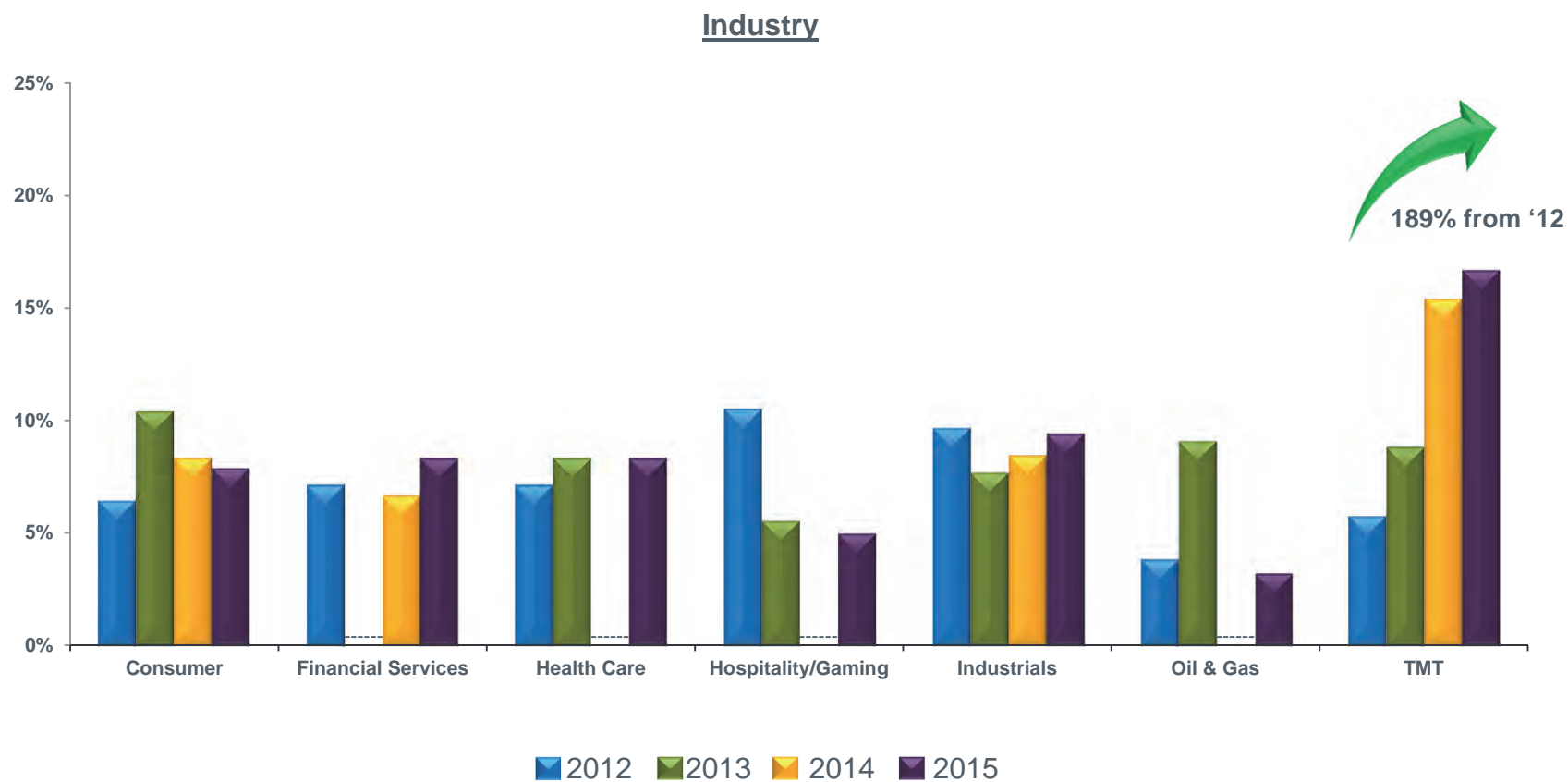
% of Deals with 103% Redemption



----- Indicates no reviewed deals contained term

103% Redemption

% of Deals with 103% Redemption

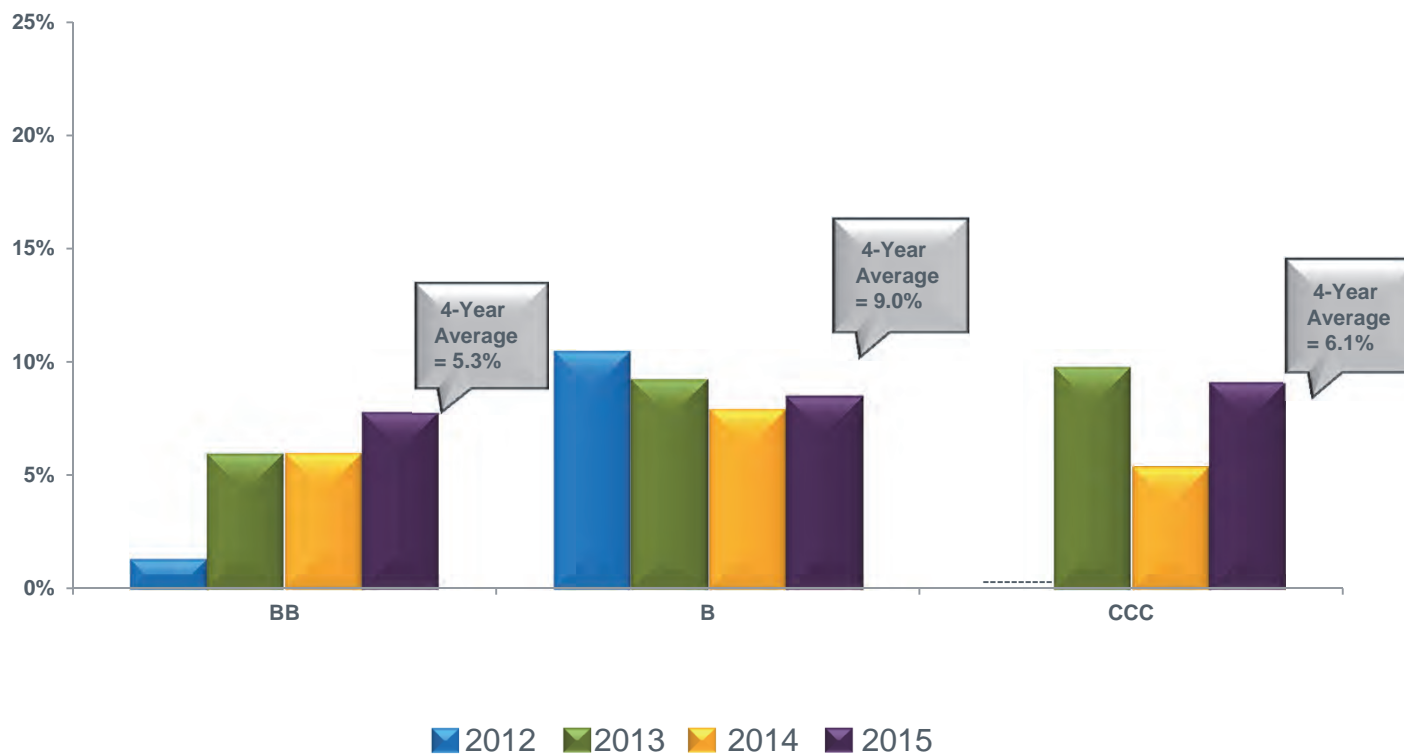


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103% Redemption

% of Deals with 103% Redemption

Ratings

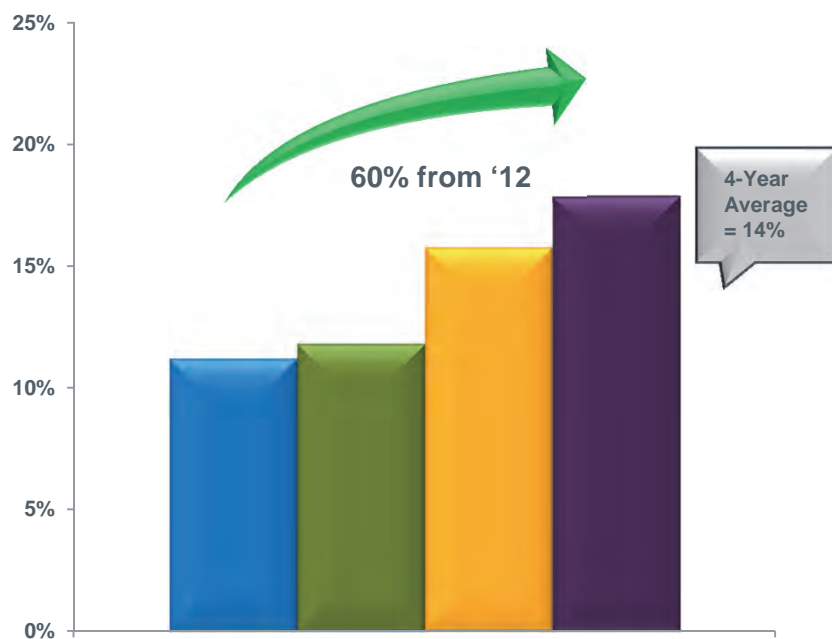


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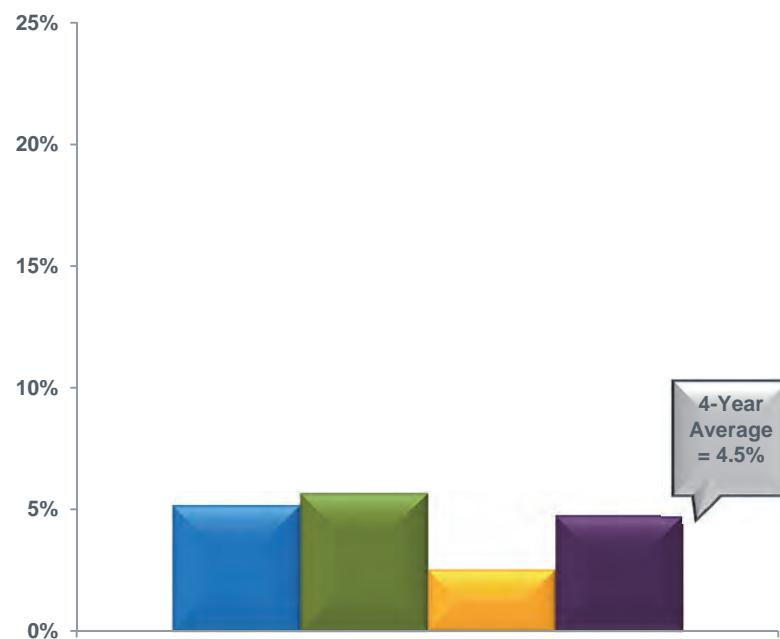
103% Redemption

% of Deals with 103% Redemption

Sponsor



Non-Sponsor

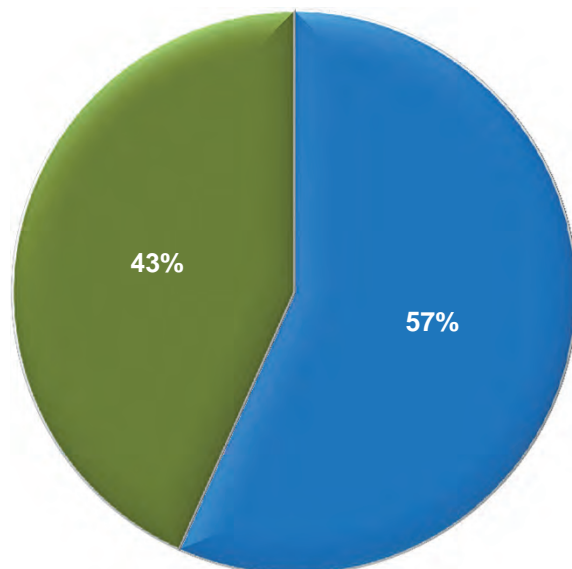


■ 2012 ■ 2013 ■ 2014 ■ 2015

Equity Claw

% of Deals

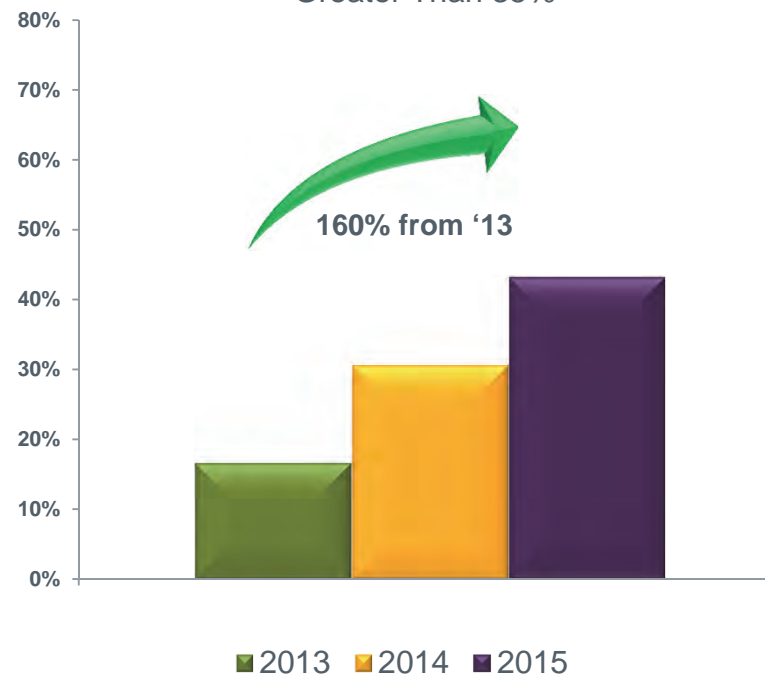
Global 2015



- Permits up to 35%
- Permits greater than 35%

Global

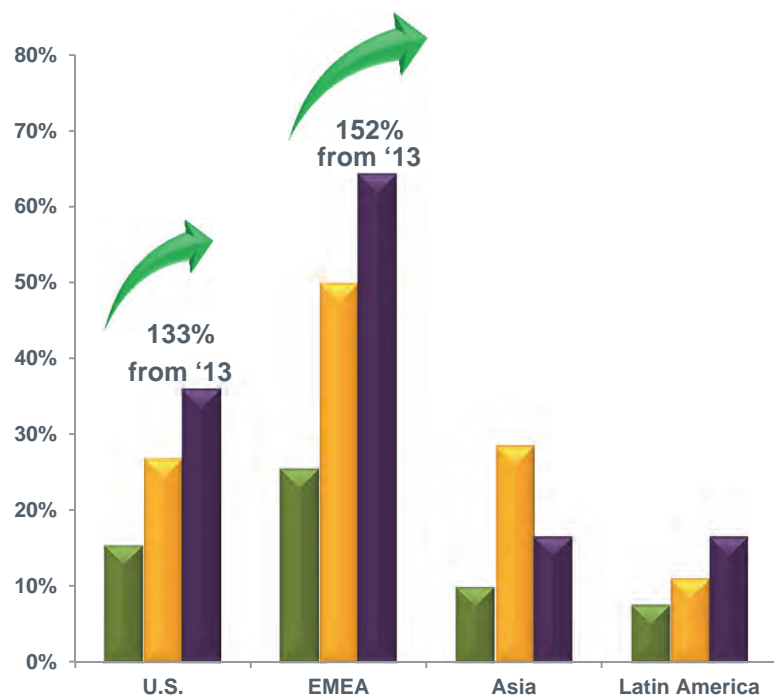
% of Deals Permitting
Greater Than 35%



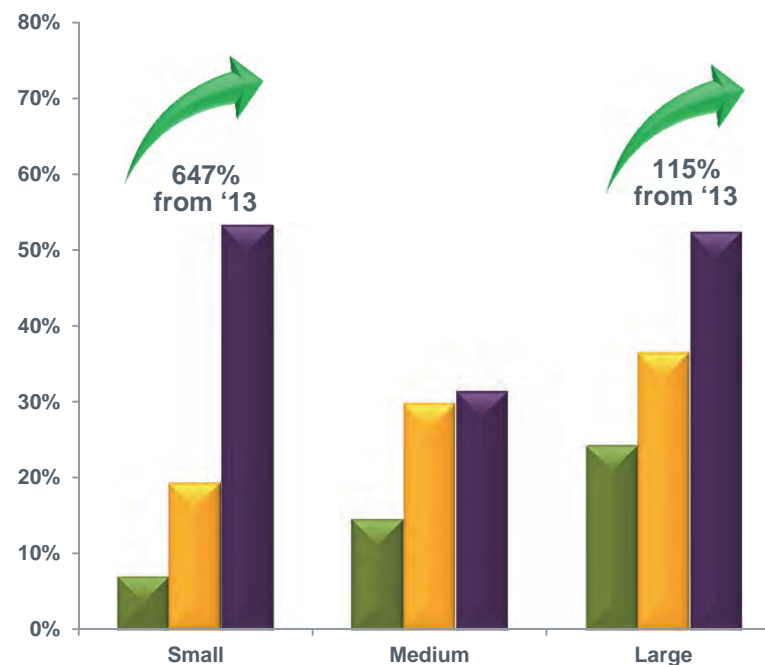
Equity Claw

% of Deals Permitting Greater than 35%

Geography



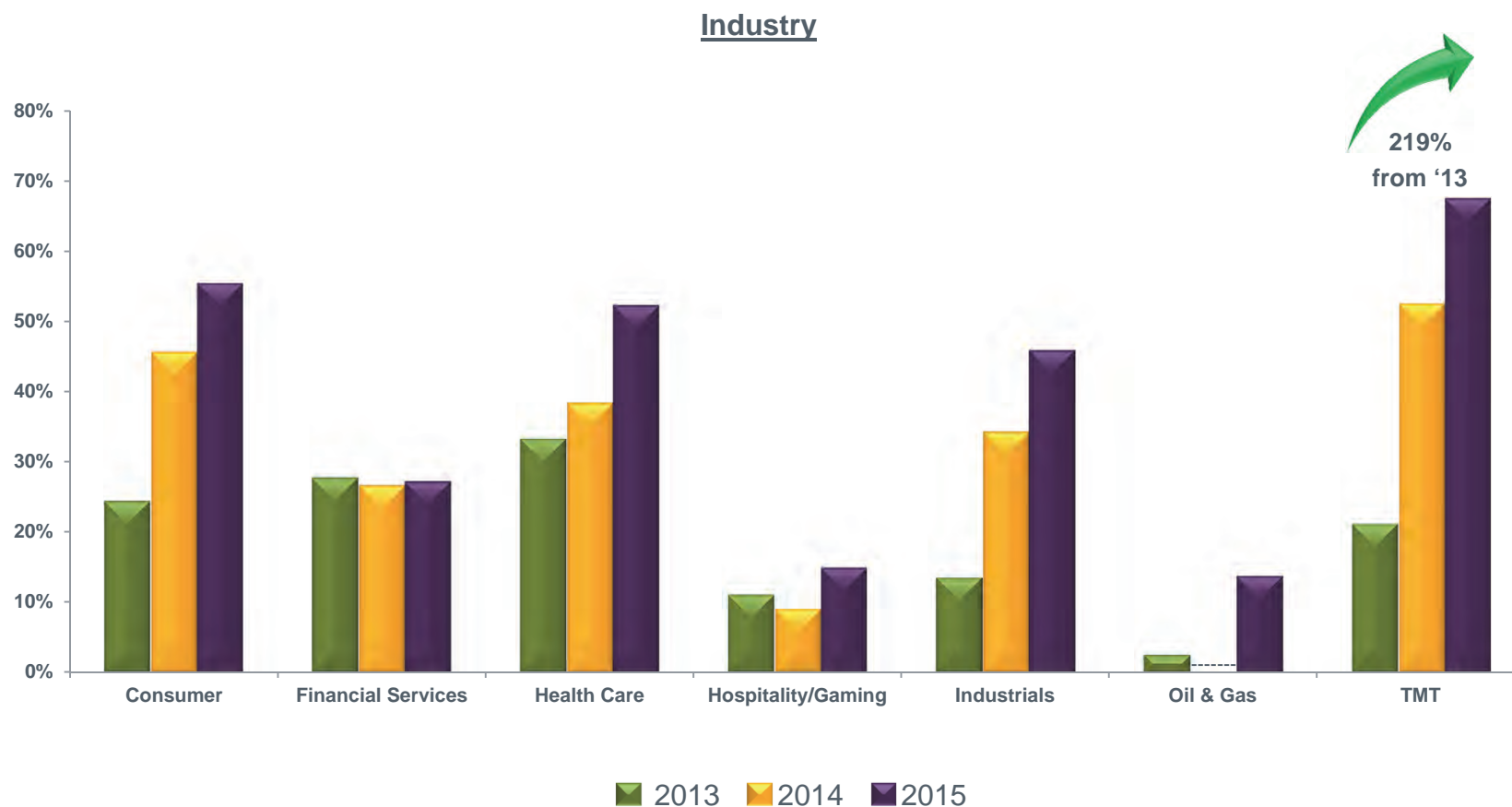
Deal Size



■ 2013 ■ 2014 ■ 2015

Equity Claw

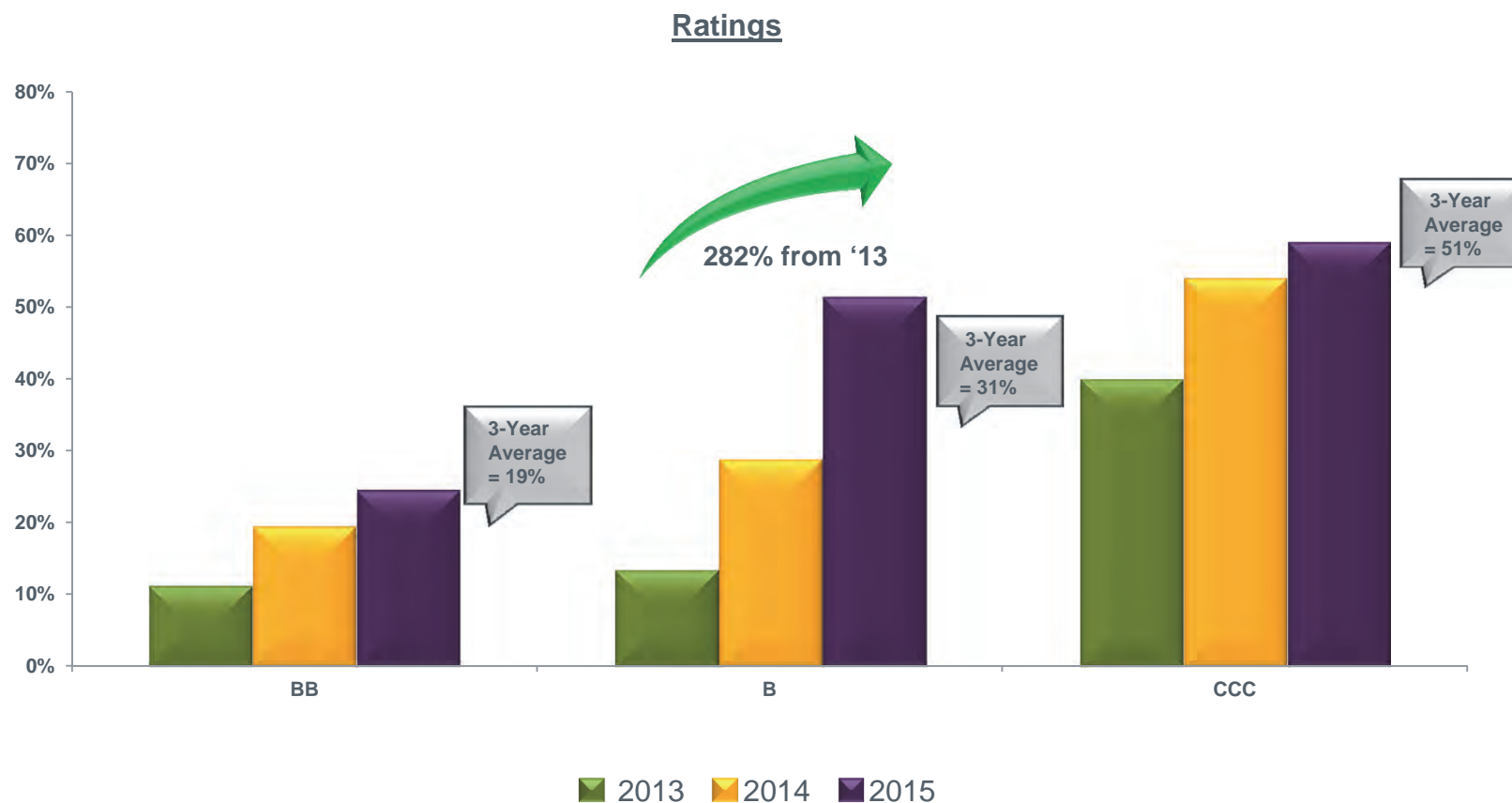
% of Deals Permitting Greater than 35%



----- Indicates no reviewed deals contained term

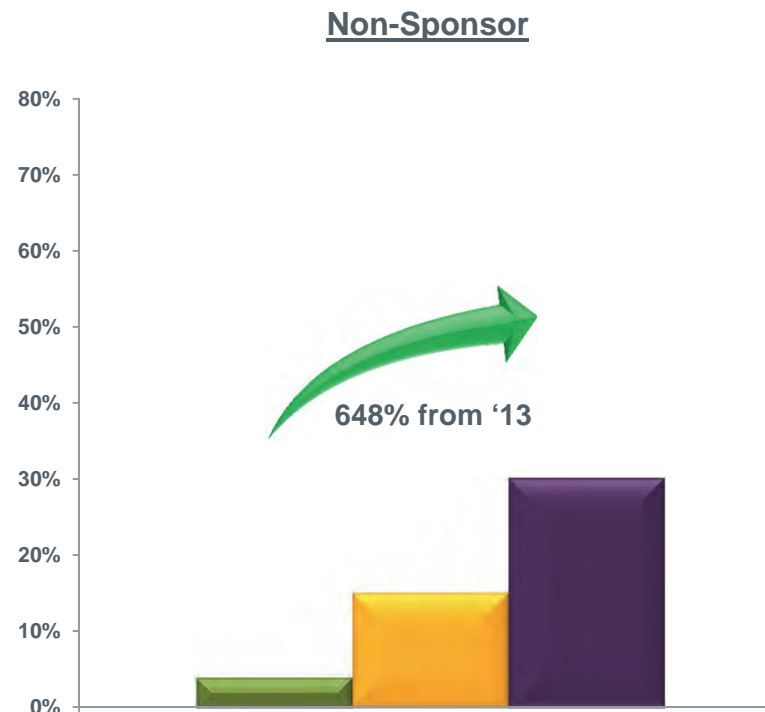
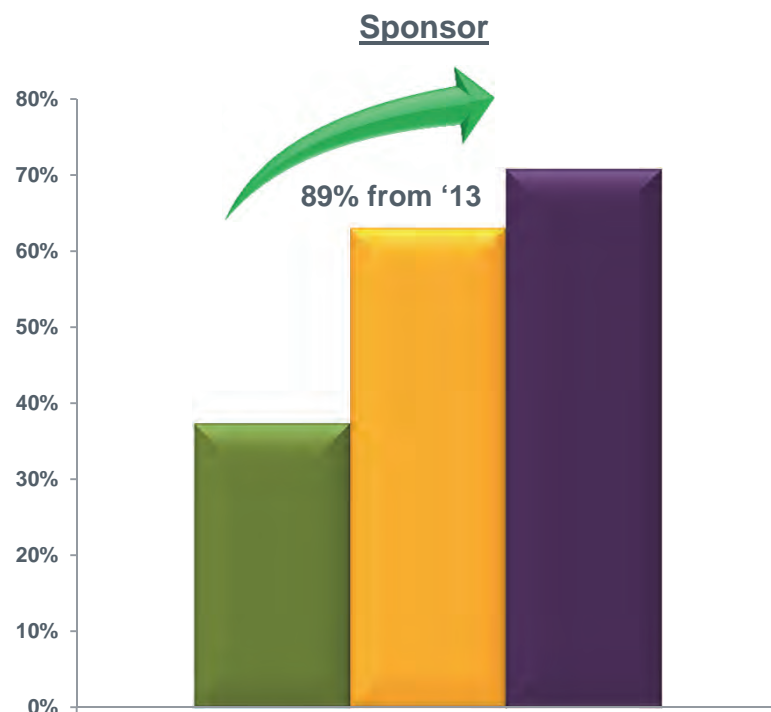
Equity Claw

% of Deals Permitting Greater than 35%



Equity Claw

% of Deals Permitting Greater than 35%



■ 2013 ■ 2014 ■ 2015

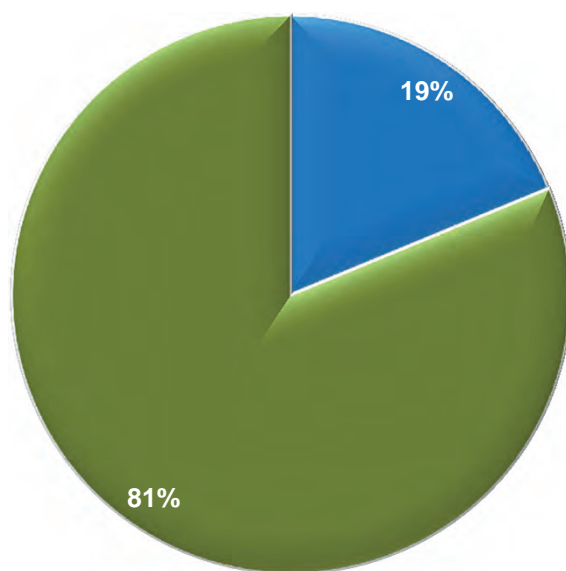


Change of Control Portability

Change of Control Portability

% of Deals

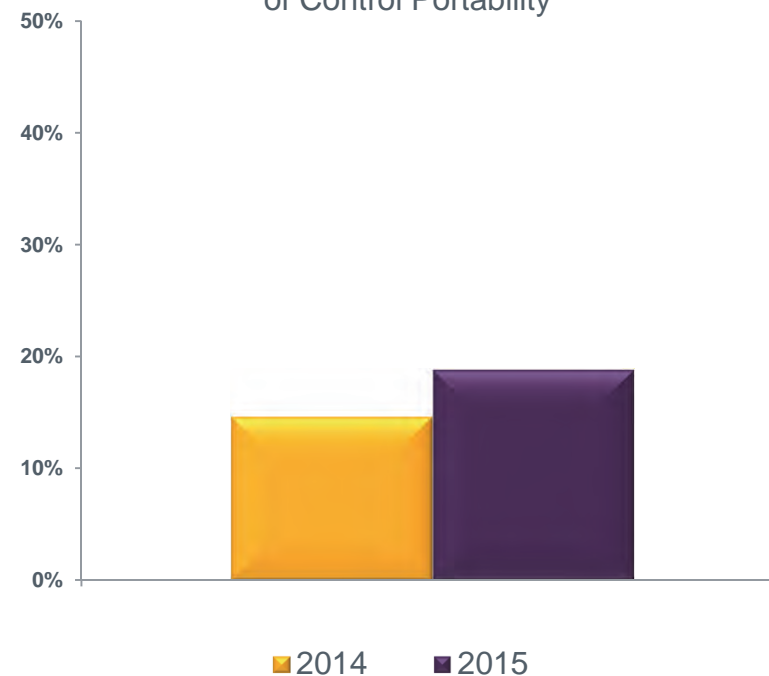
Global 2015



■ With Change of Control Portability
■ Without Change of Control Portability

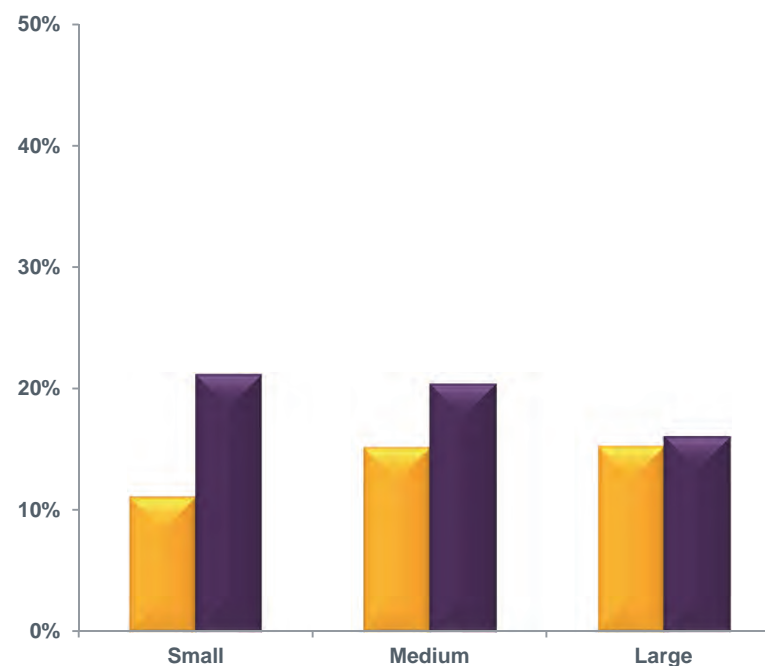
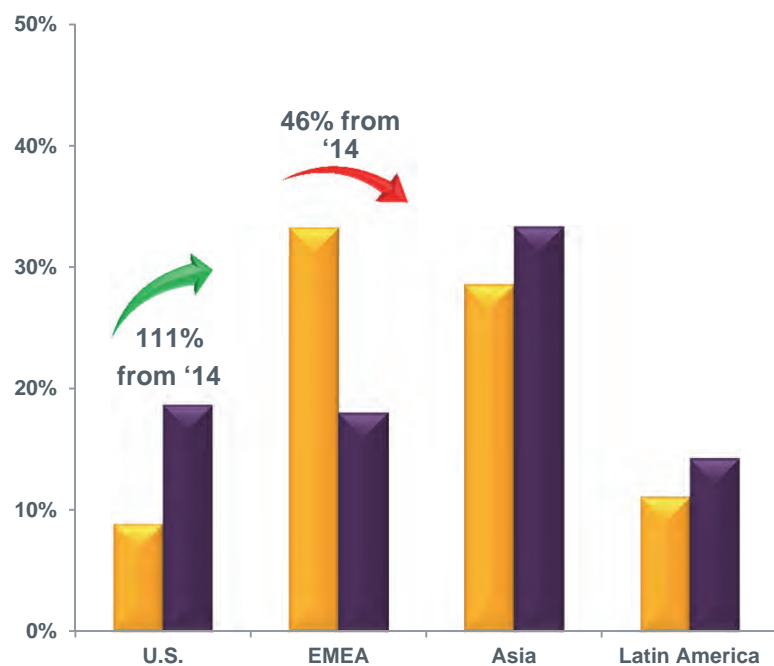
Global

% of Deals With Change
of Control Portability



Change of Control Portability

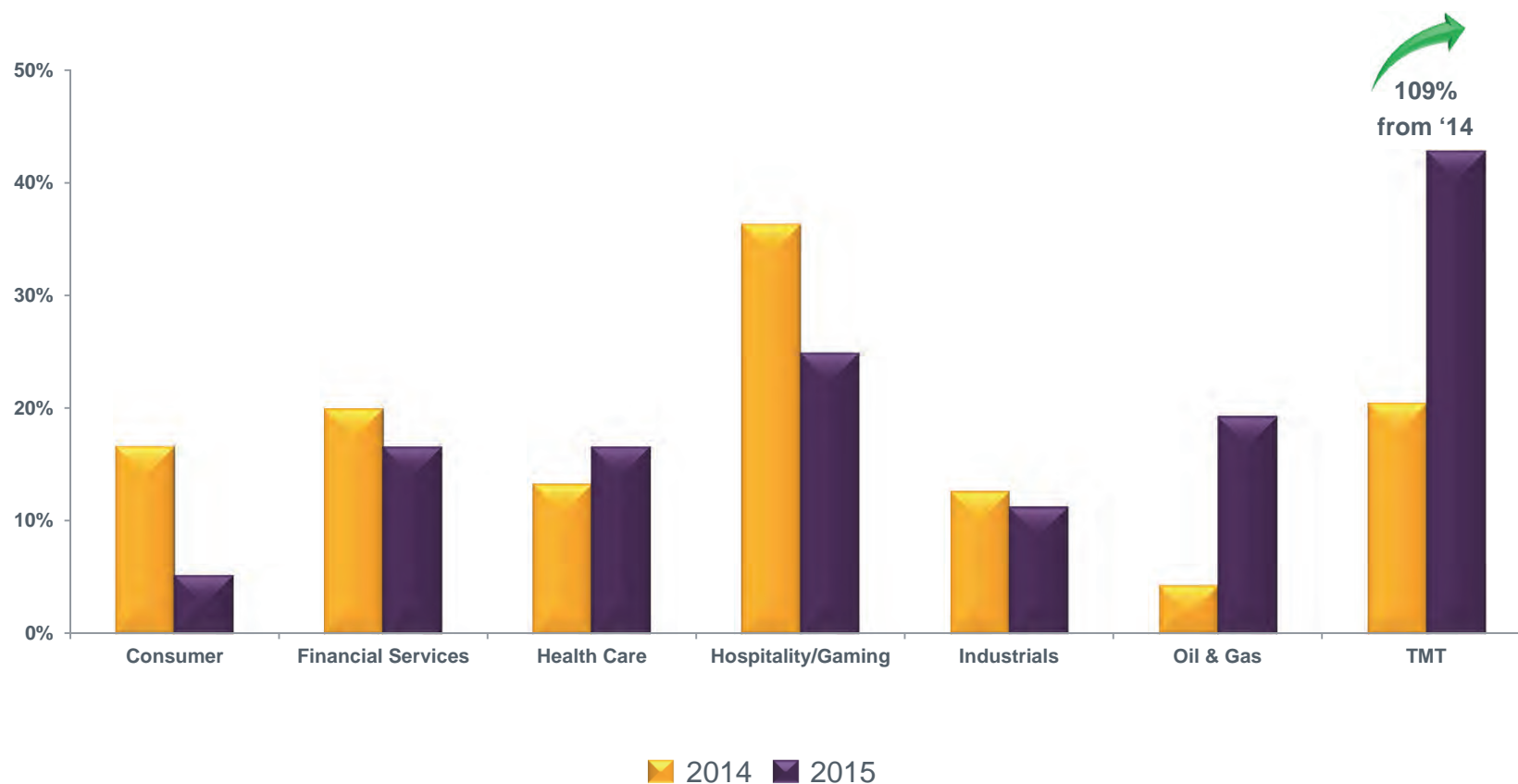
% of Deals with Change of Control Portability



2014 2015

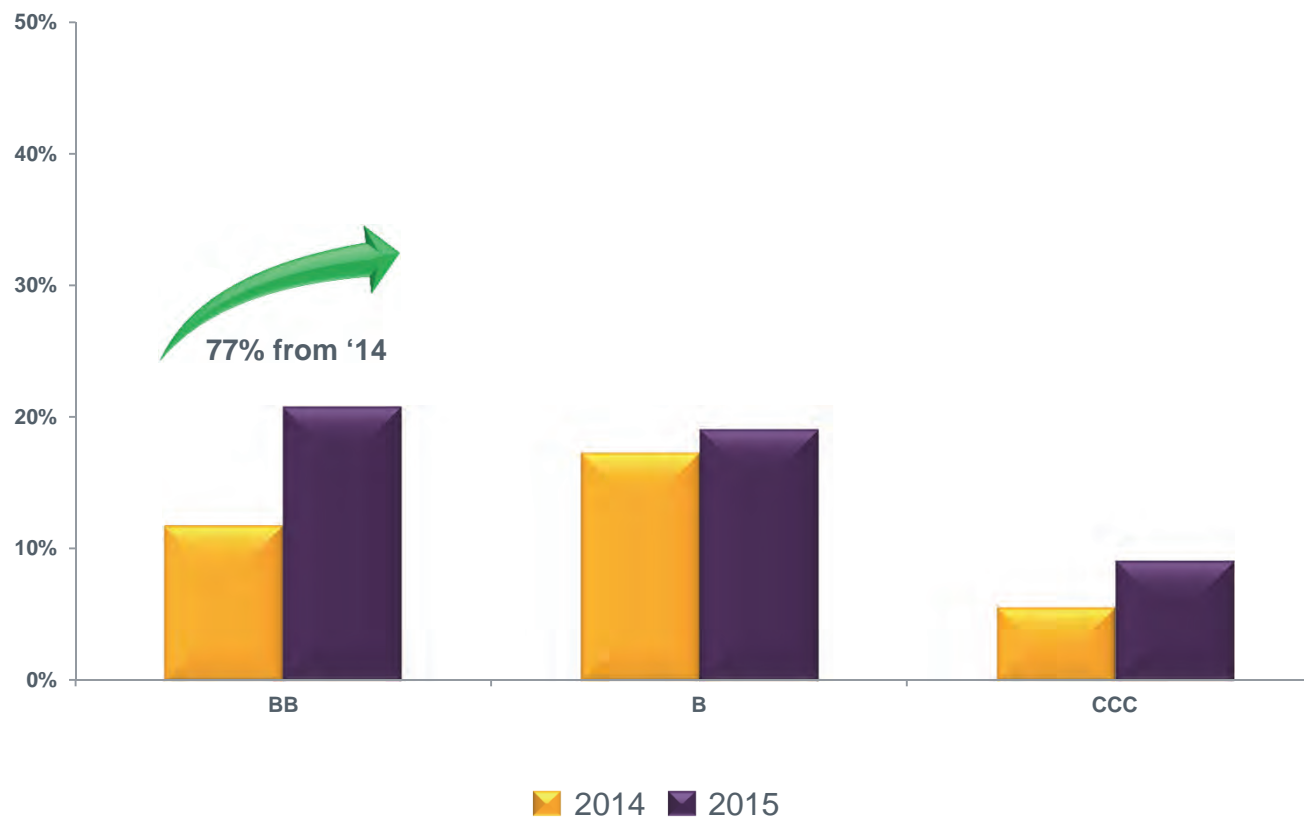
Change of Control Portability

% of Deals with Change of Control Portability



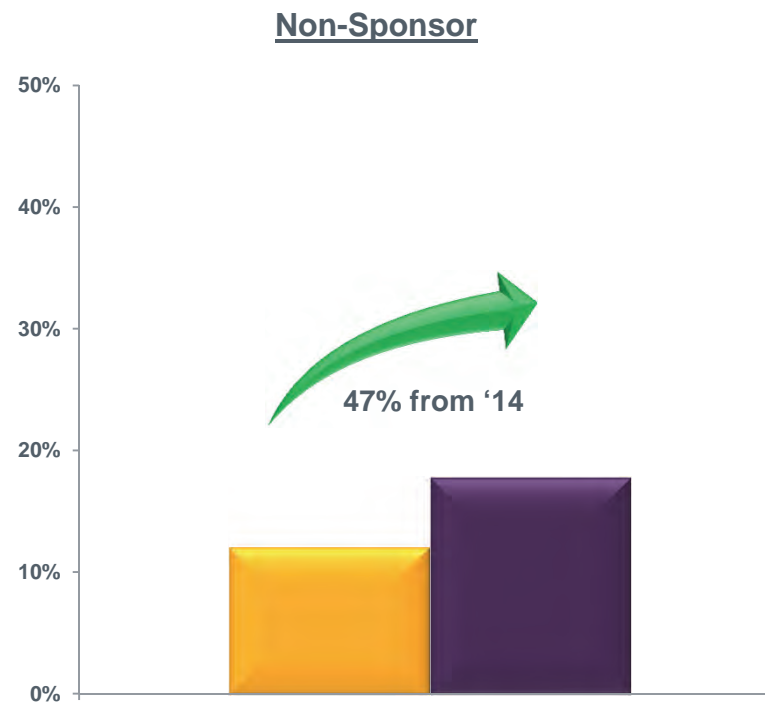
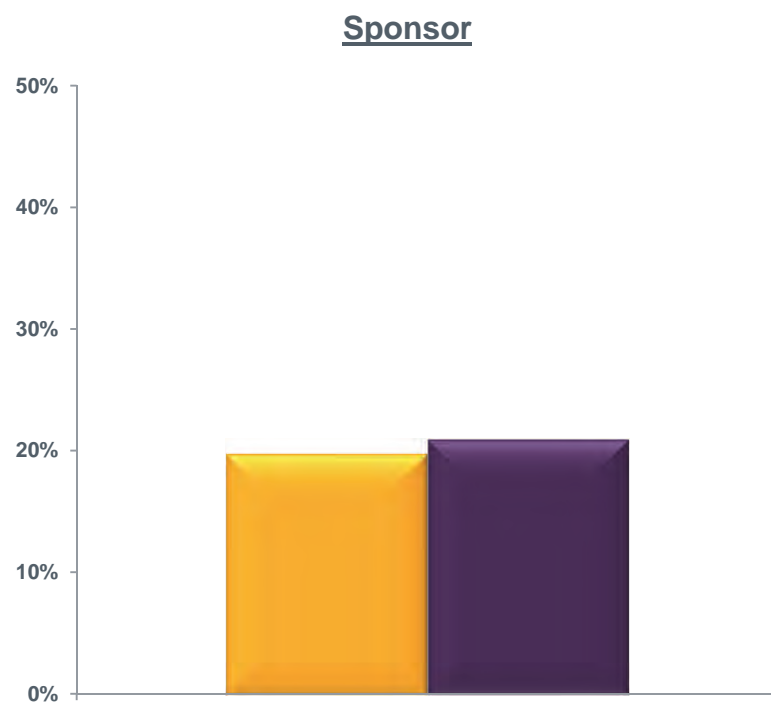
Change of Control Portability

% of Deals with Change of Control Portability



Change of Control Portability

% of Deals with Change of Control Portability



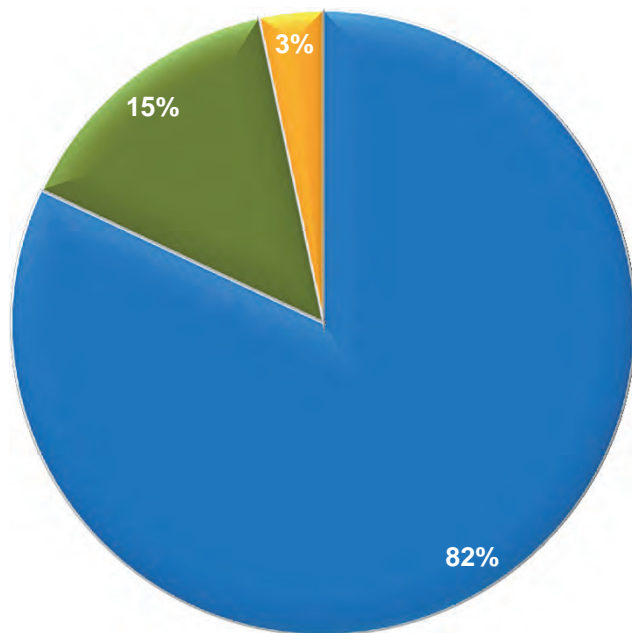
■ 2014 ■ 2015



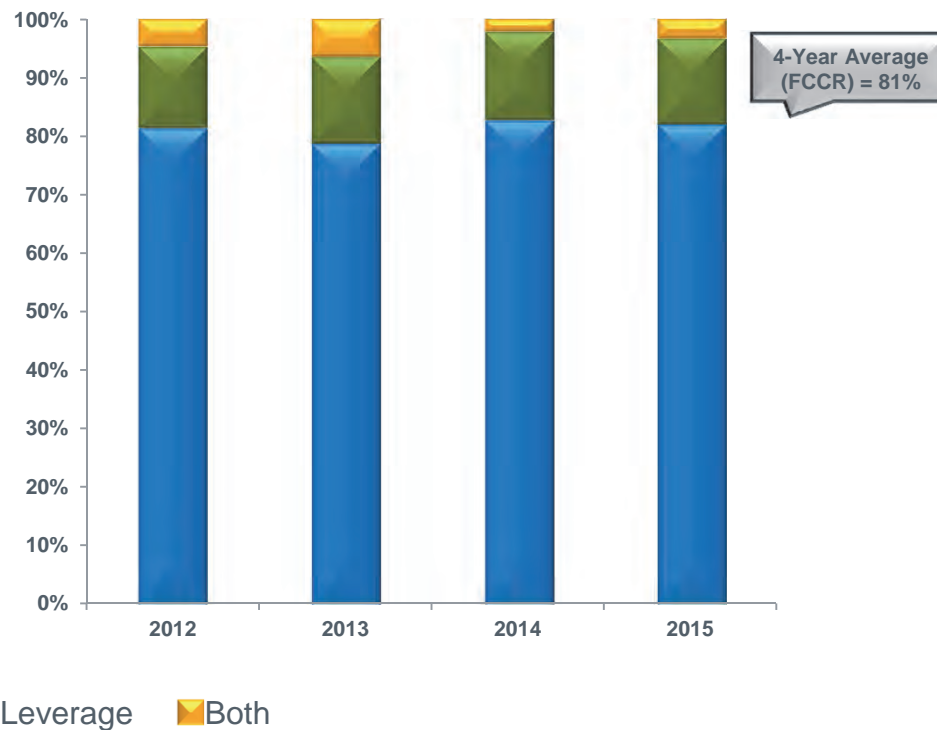
Debt

Ratio Debt % of Deals

Global 2015

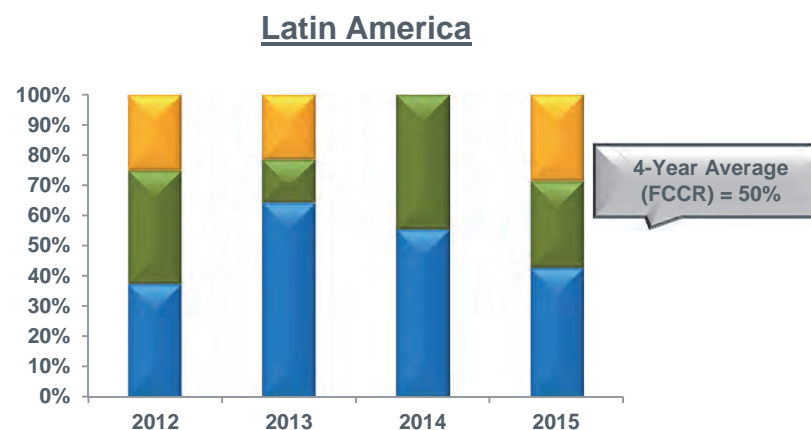
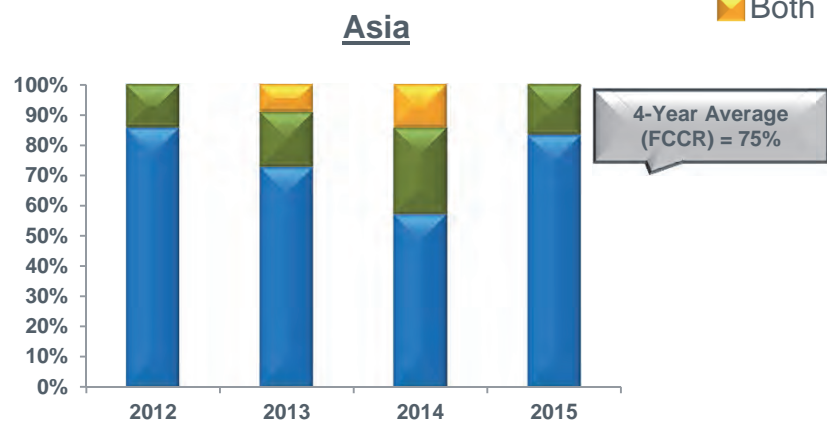
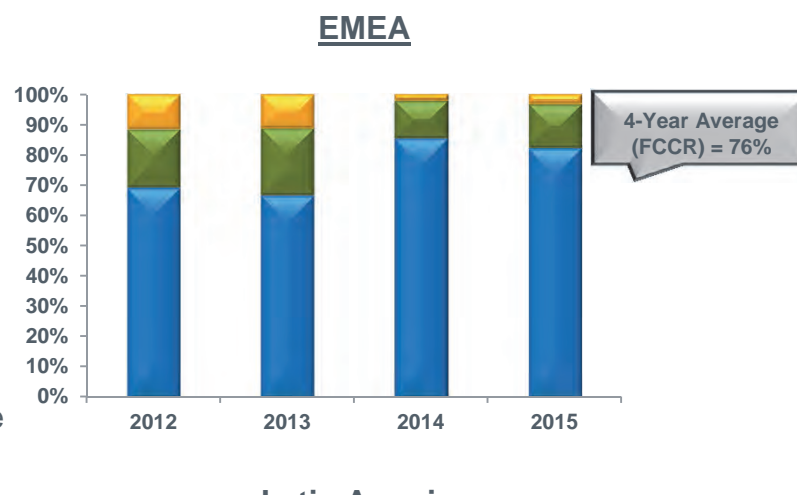
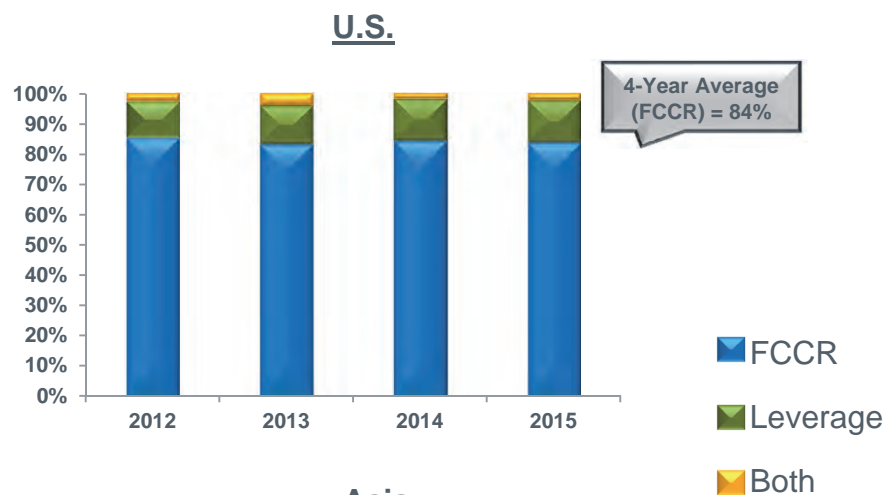


Global

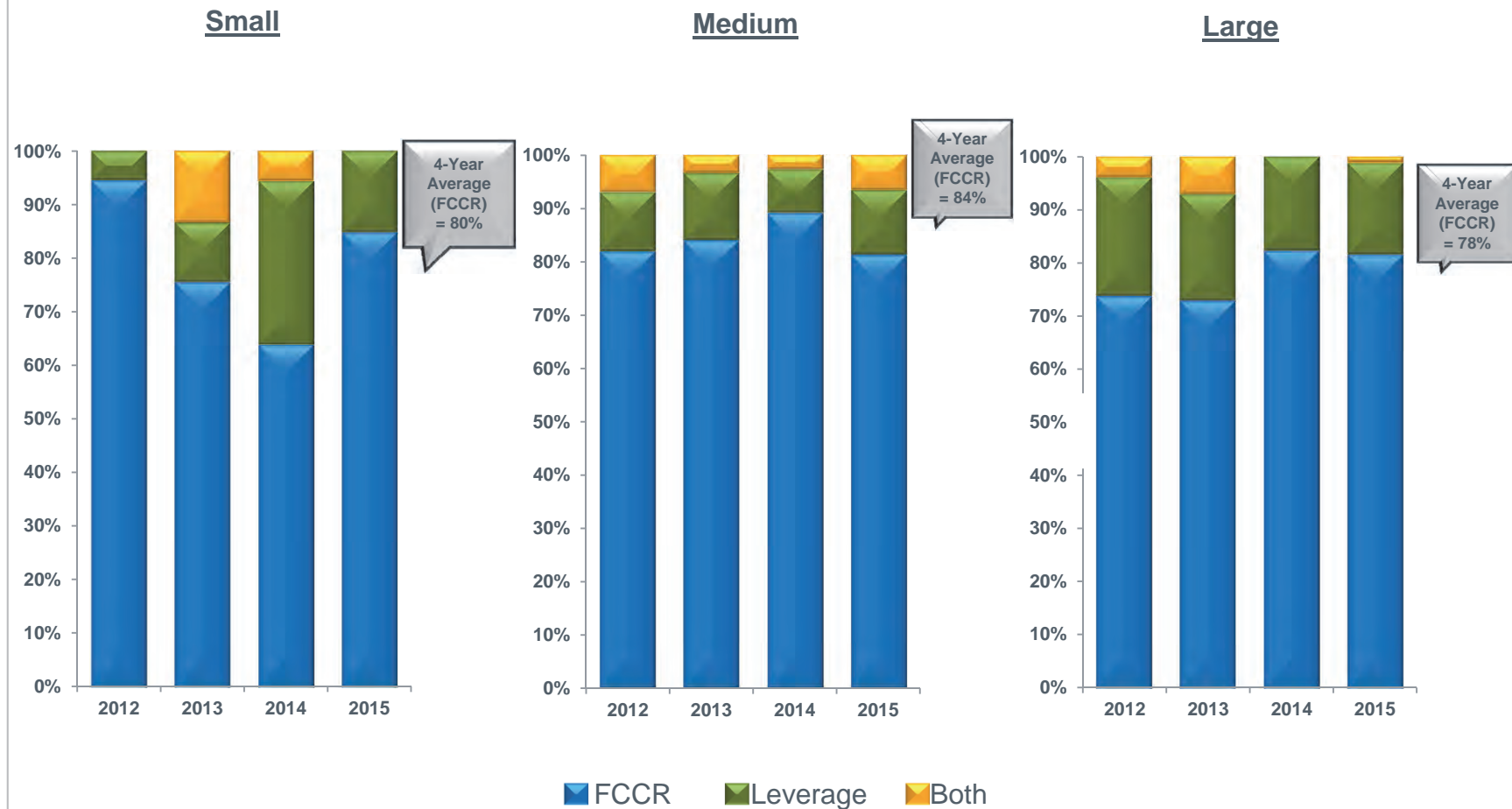


Ratio Debt

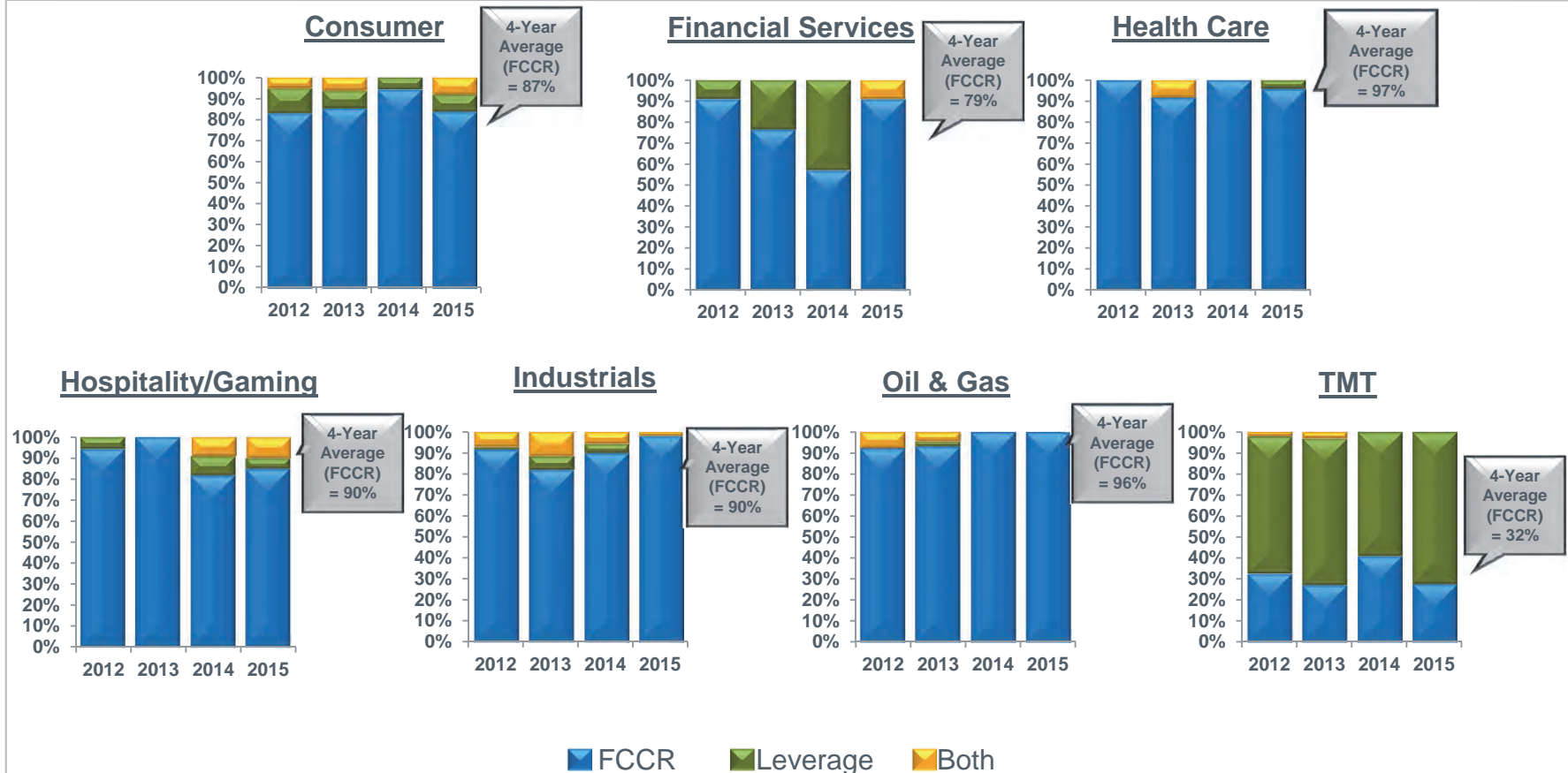
Geographic Breakdown



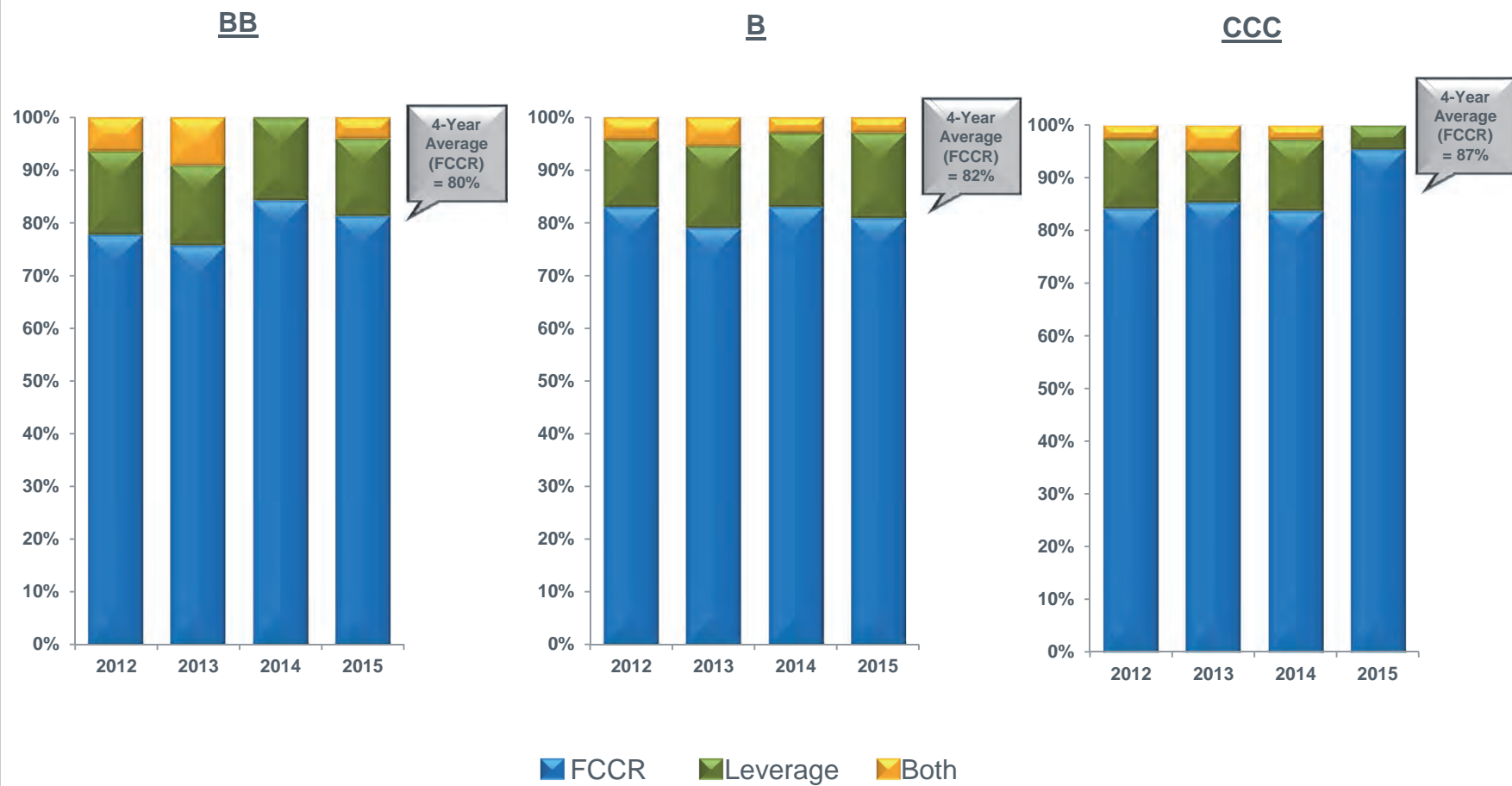
Ratio Debt Deal Size Breakdown



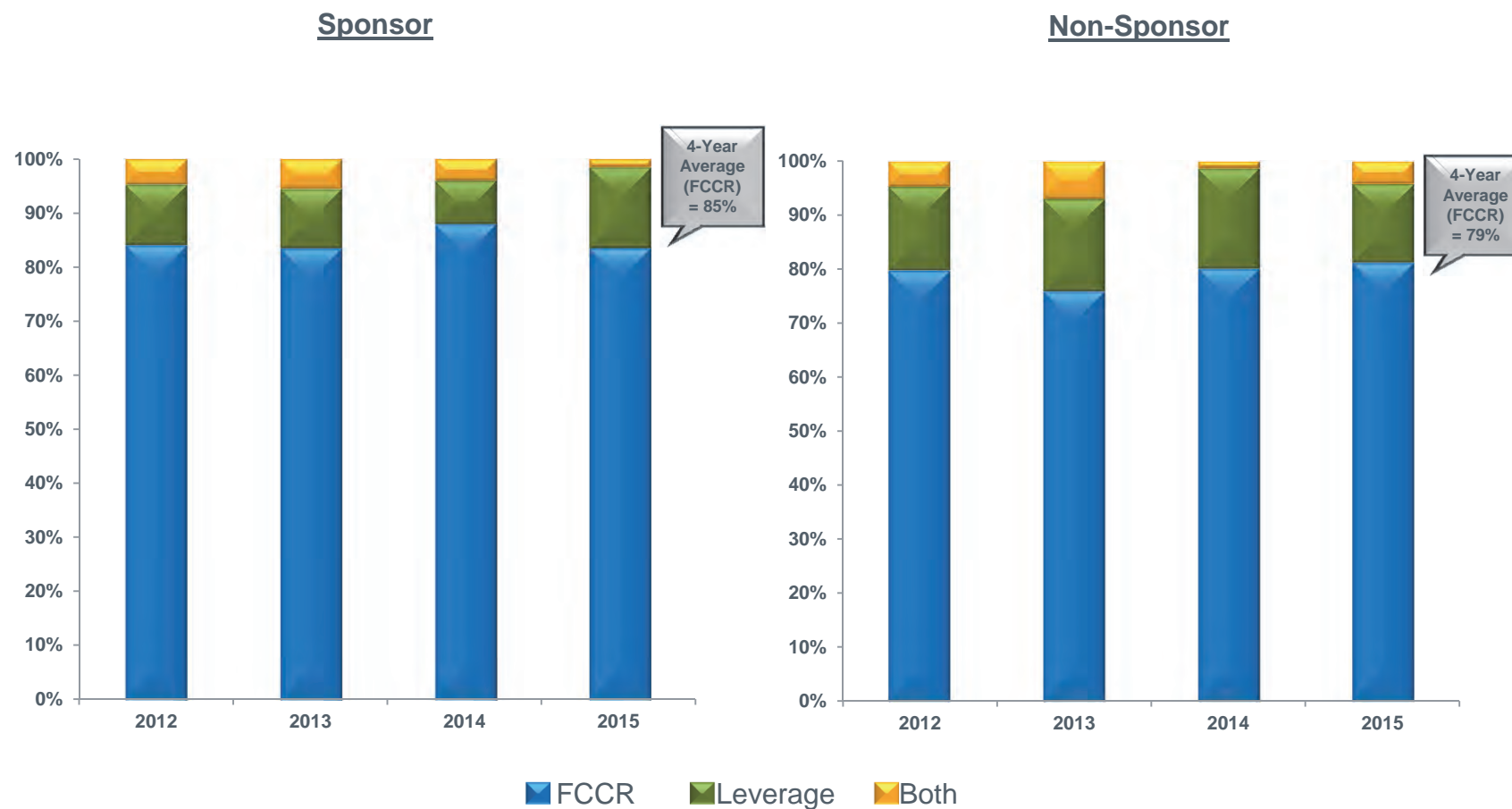
Ratio Debt Industry Breakdown



Ratio Debt Ratings Breakdown

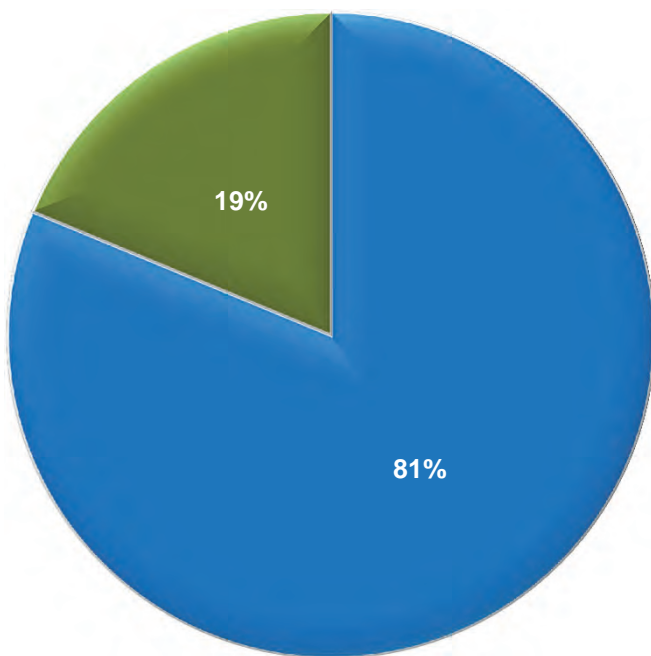


Ratio Debt Sponsor Breakdown

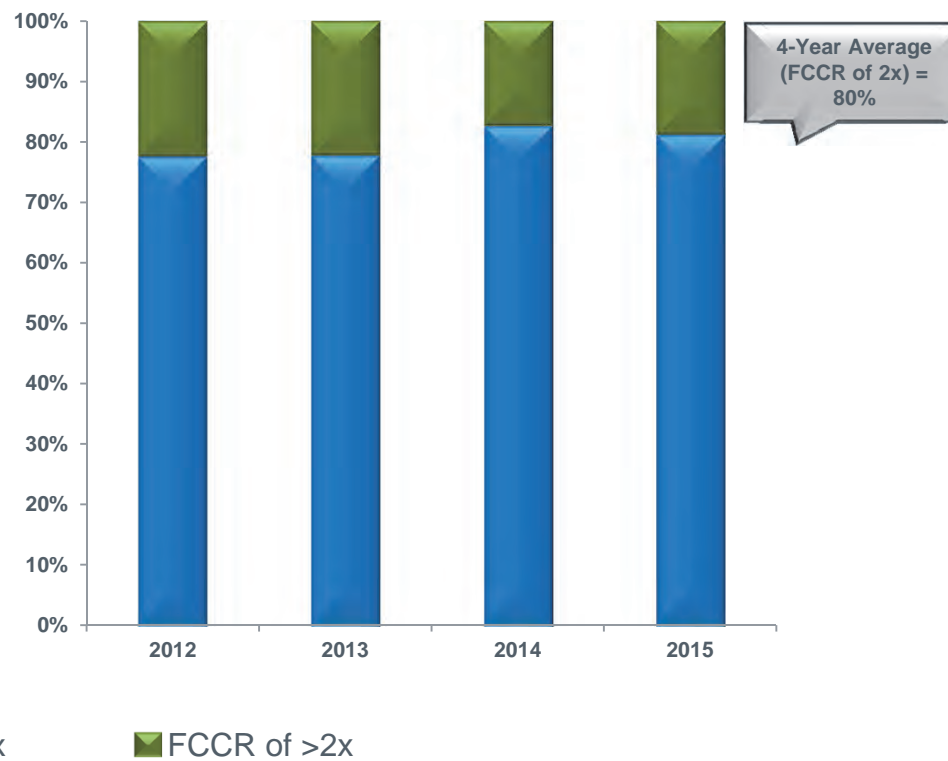


Ratio Debt % of Deals

Global 2015

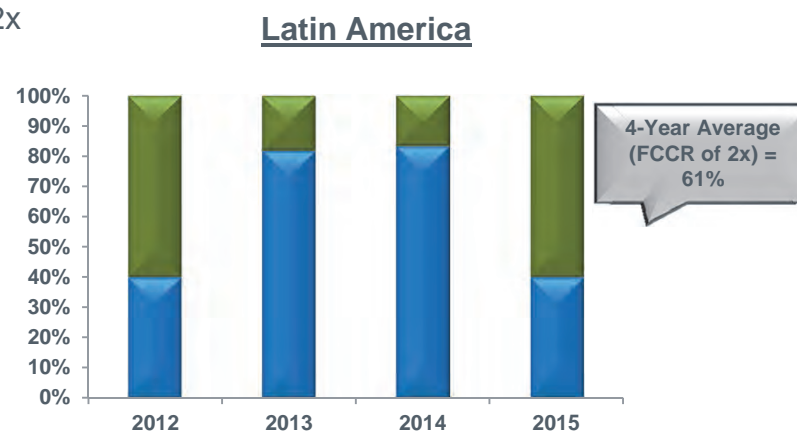
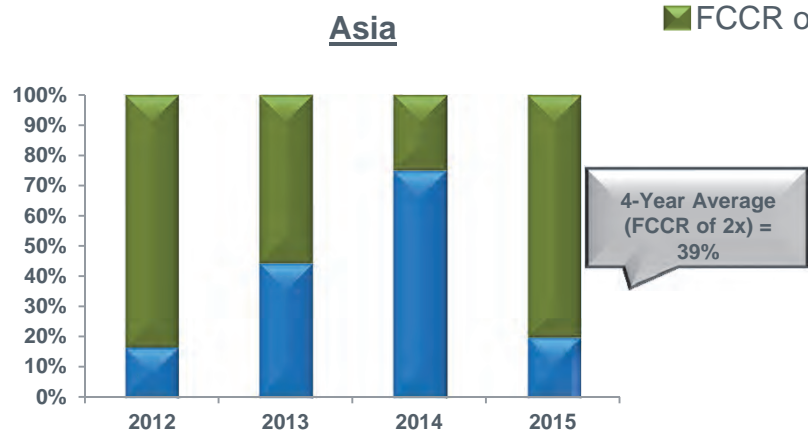
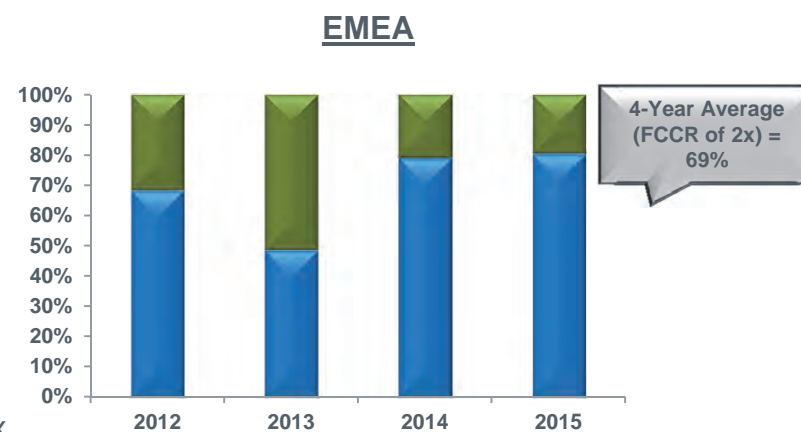
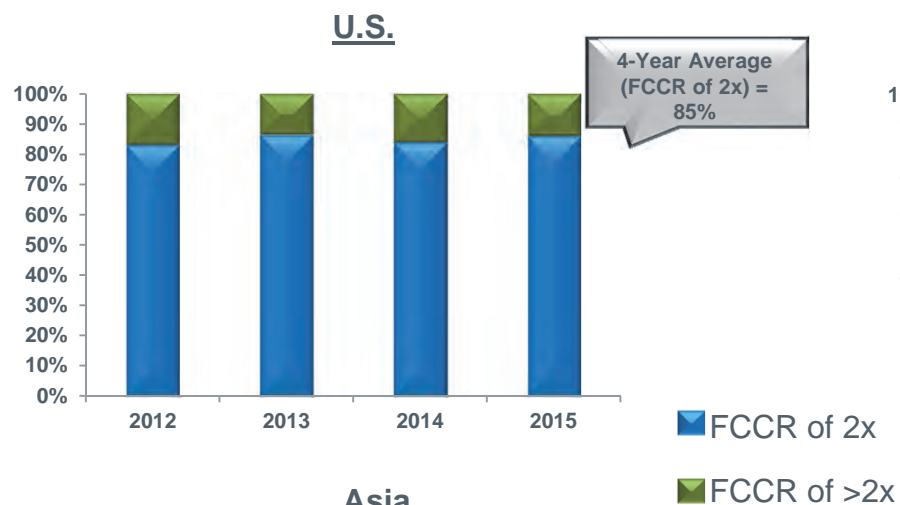


Global

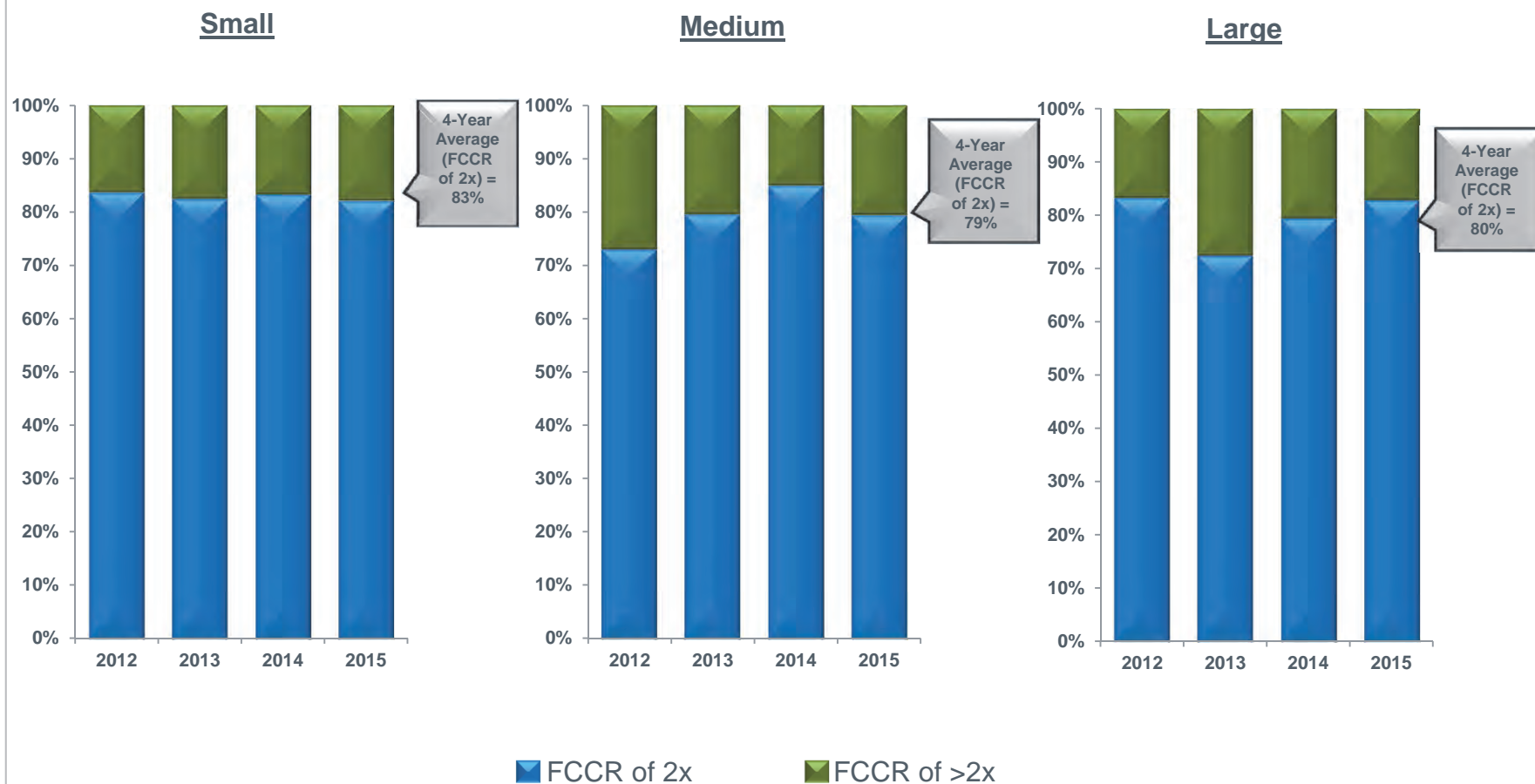


Ratio Debt

Geographic Breakdown

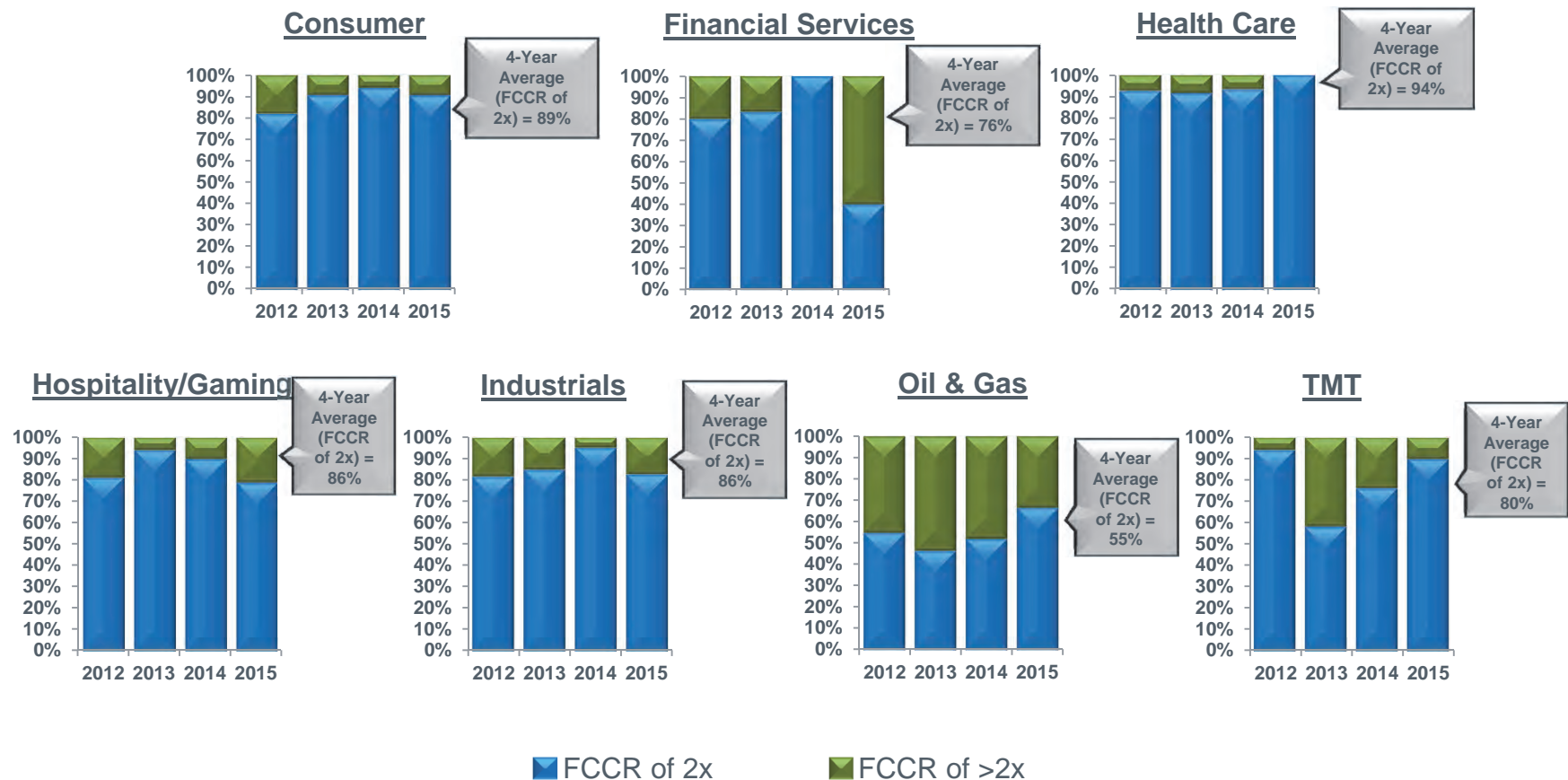


Ratio Debt Deal Size Breakdown

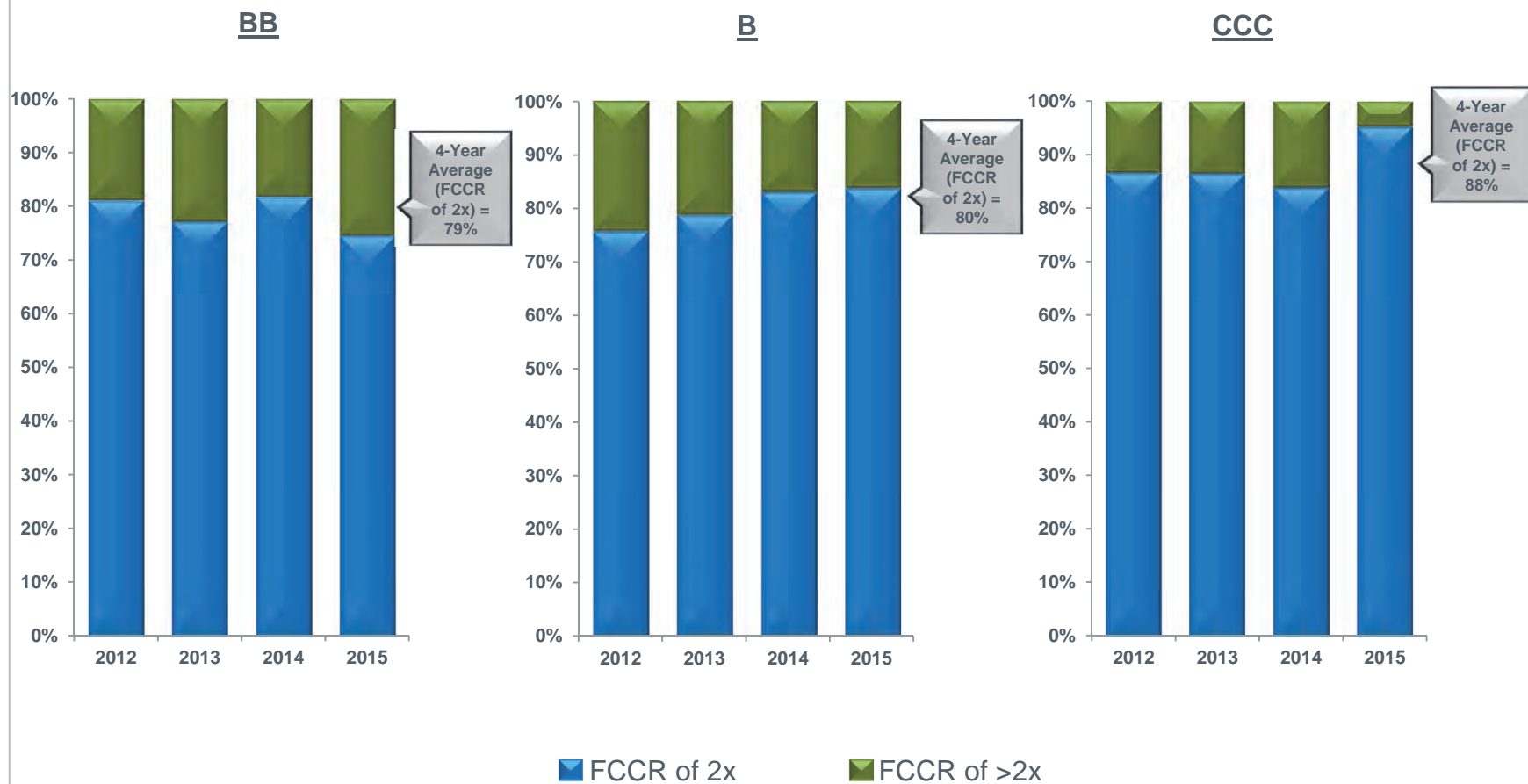




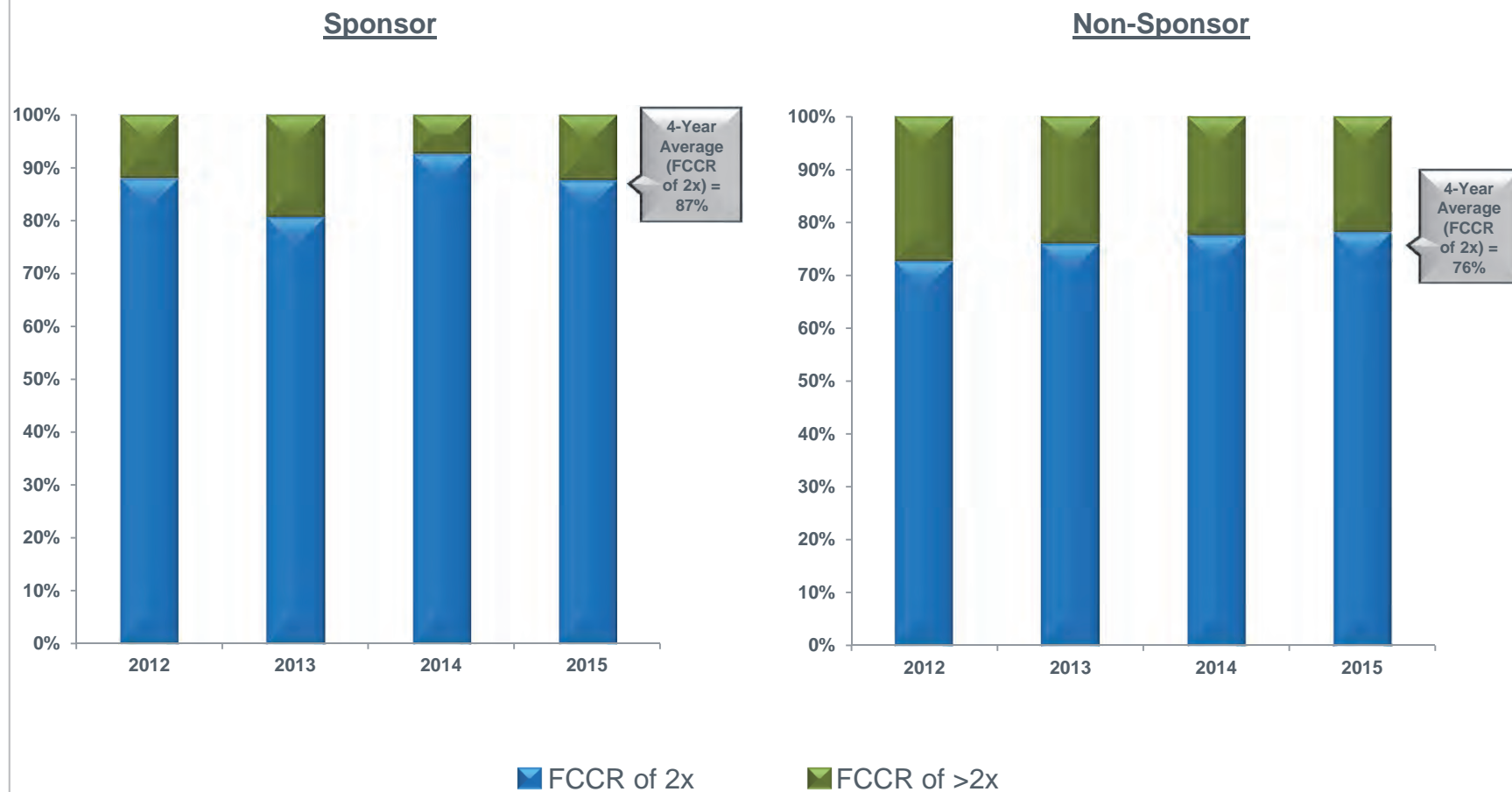
Ratio Debt Industry Breakdown



Ratio Debt Ratings Breakdown

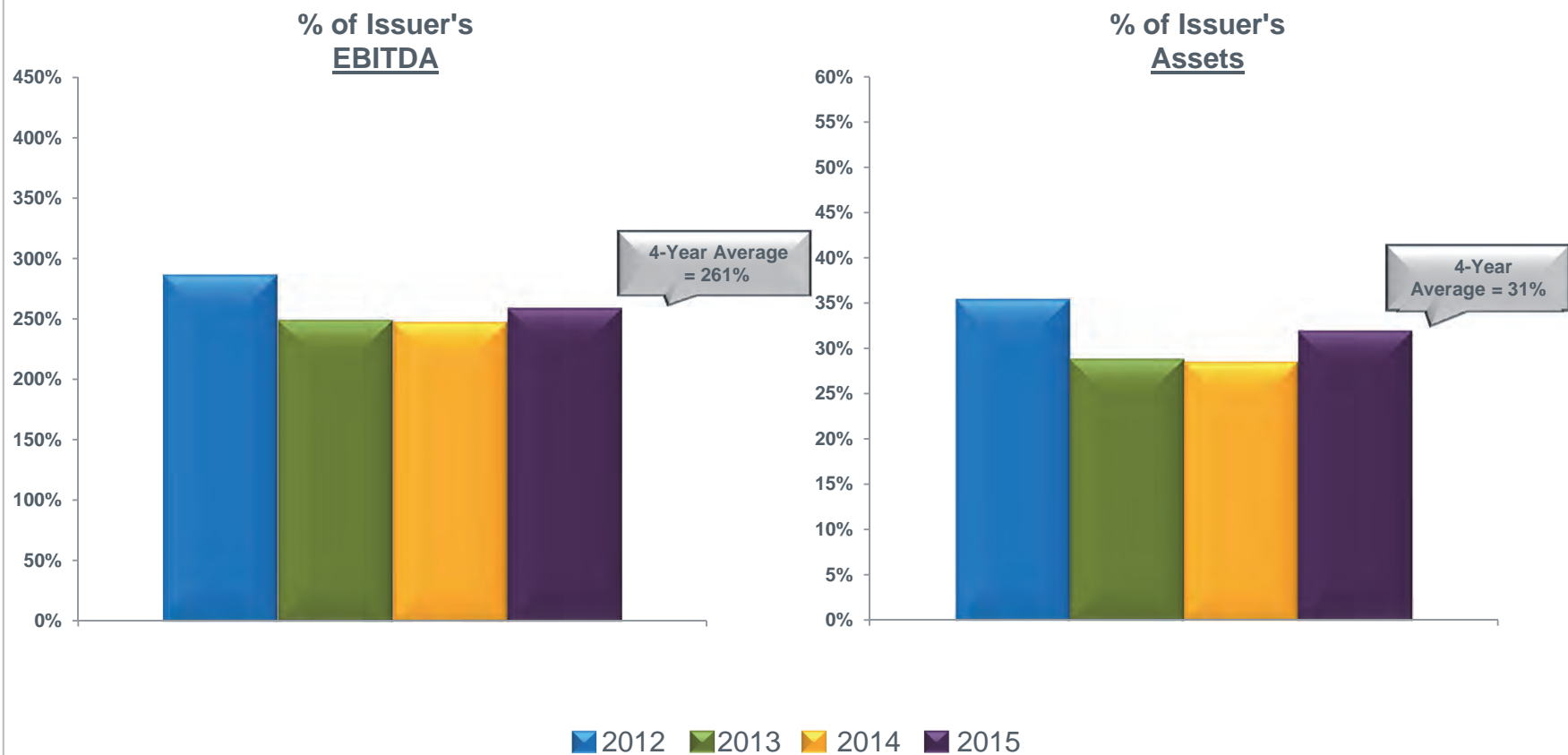


Ratio Debt Sponsor Breakdown



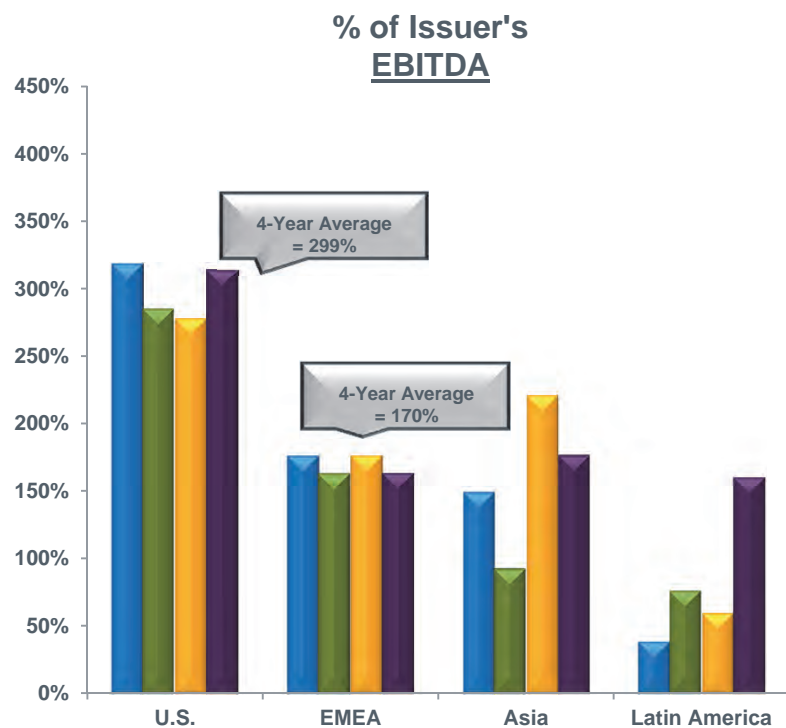
Senior Credit Facilities Basket

Global Analysis



Senior Credit Facilities Basket

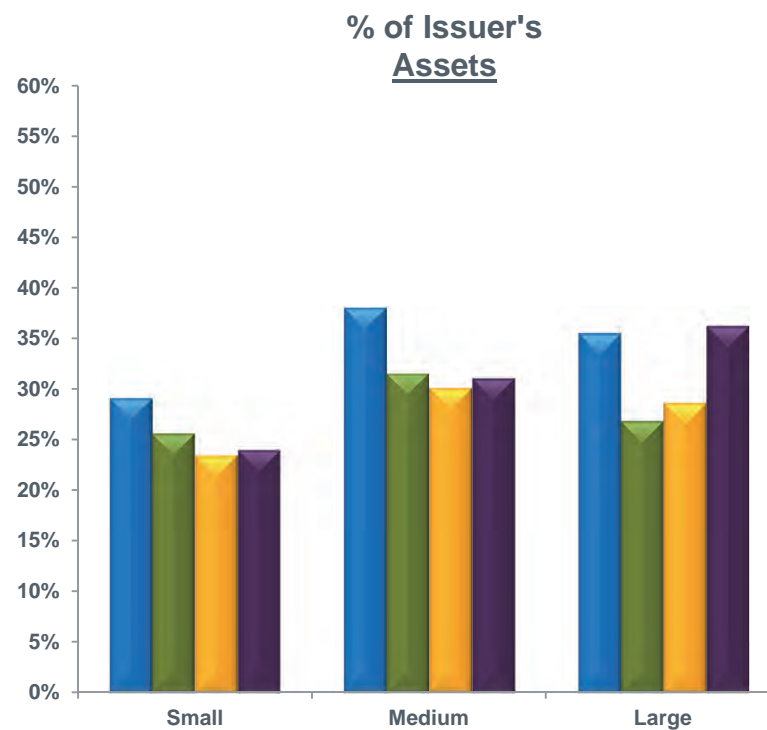
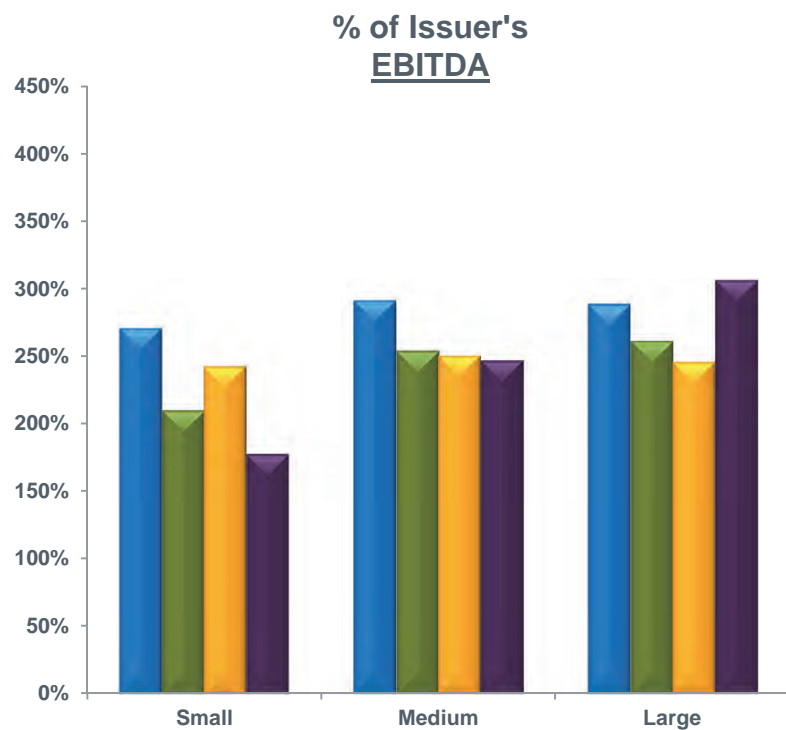
Geographic Breakdown



■ 2012 ■ 2013 ■ 2014 ■ 2015

Senior Credit Facilities Basket

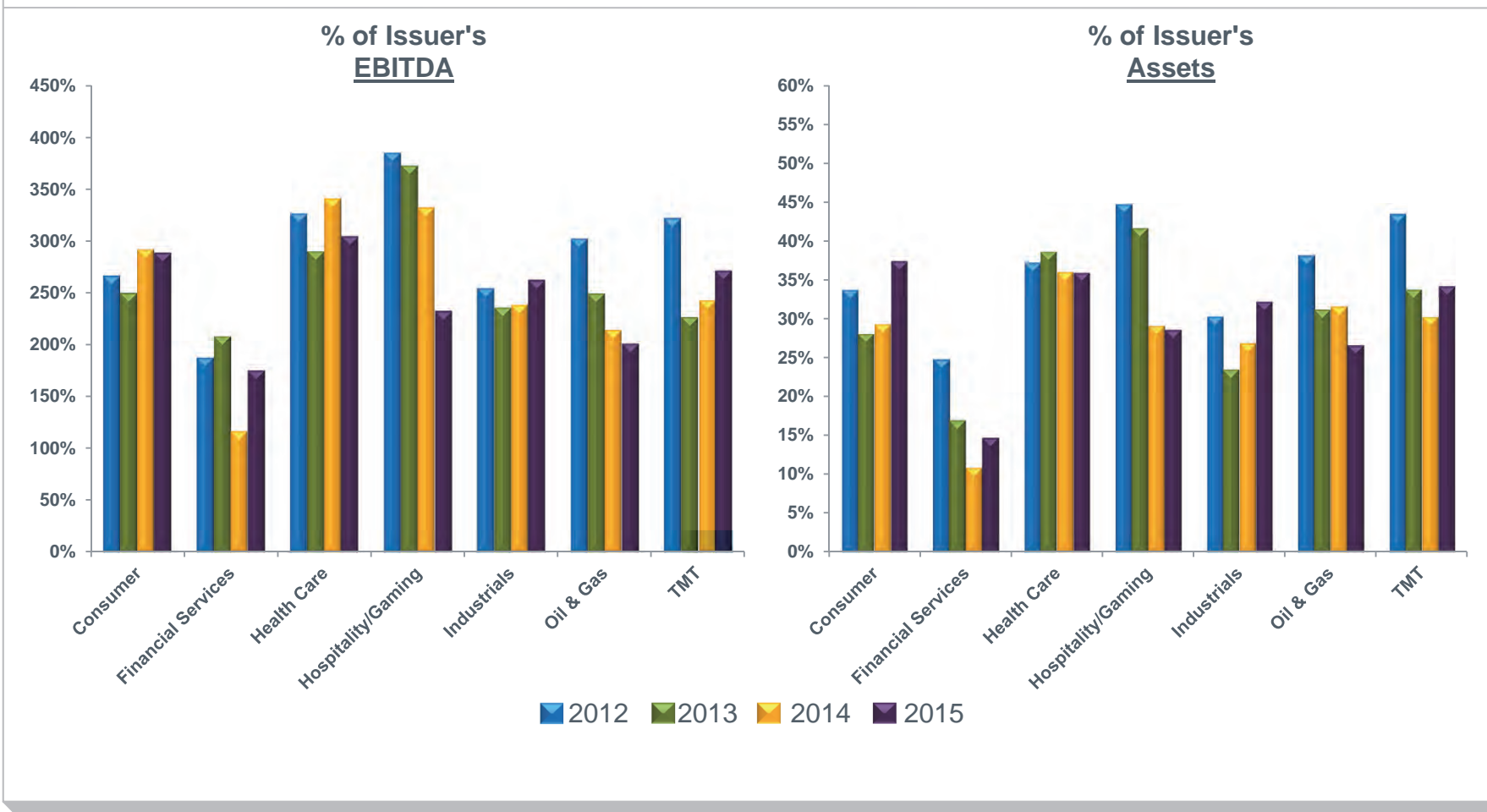
Deal Size Breakdown



■ 2012 ■ 2013 ■ 2014 ■ 2015

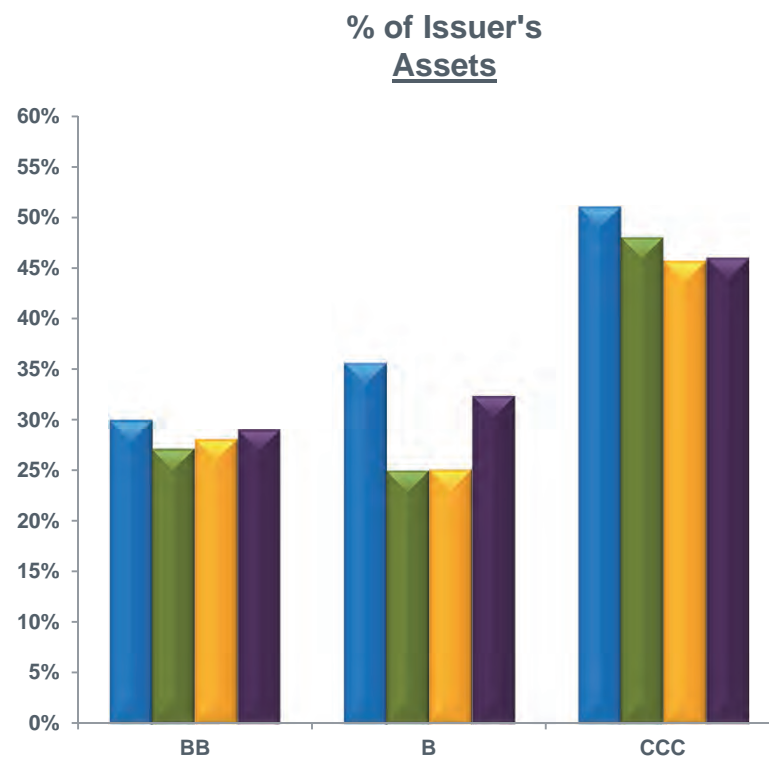
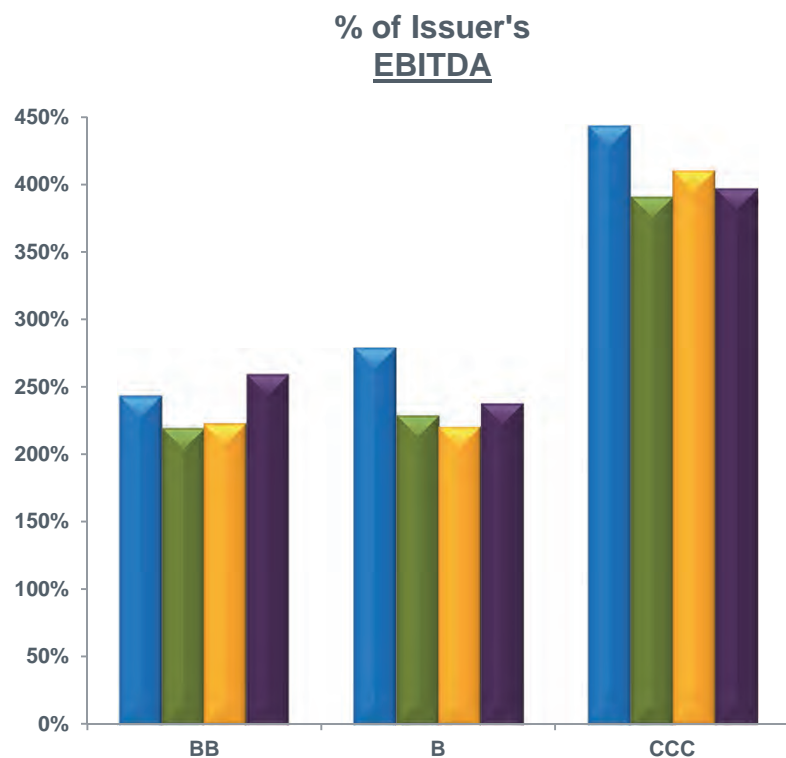
Senior Credit Facilities Basket

Industry Breakdown



Senior Credit Facilities Basket

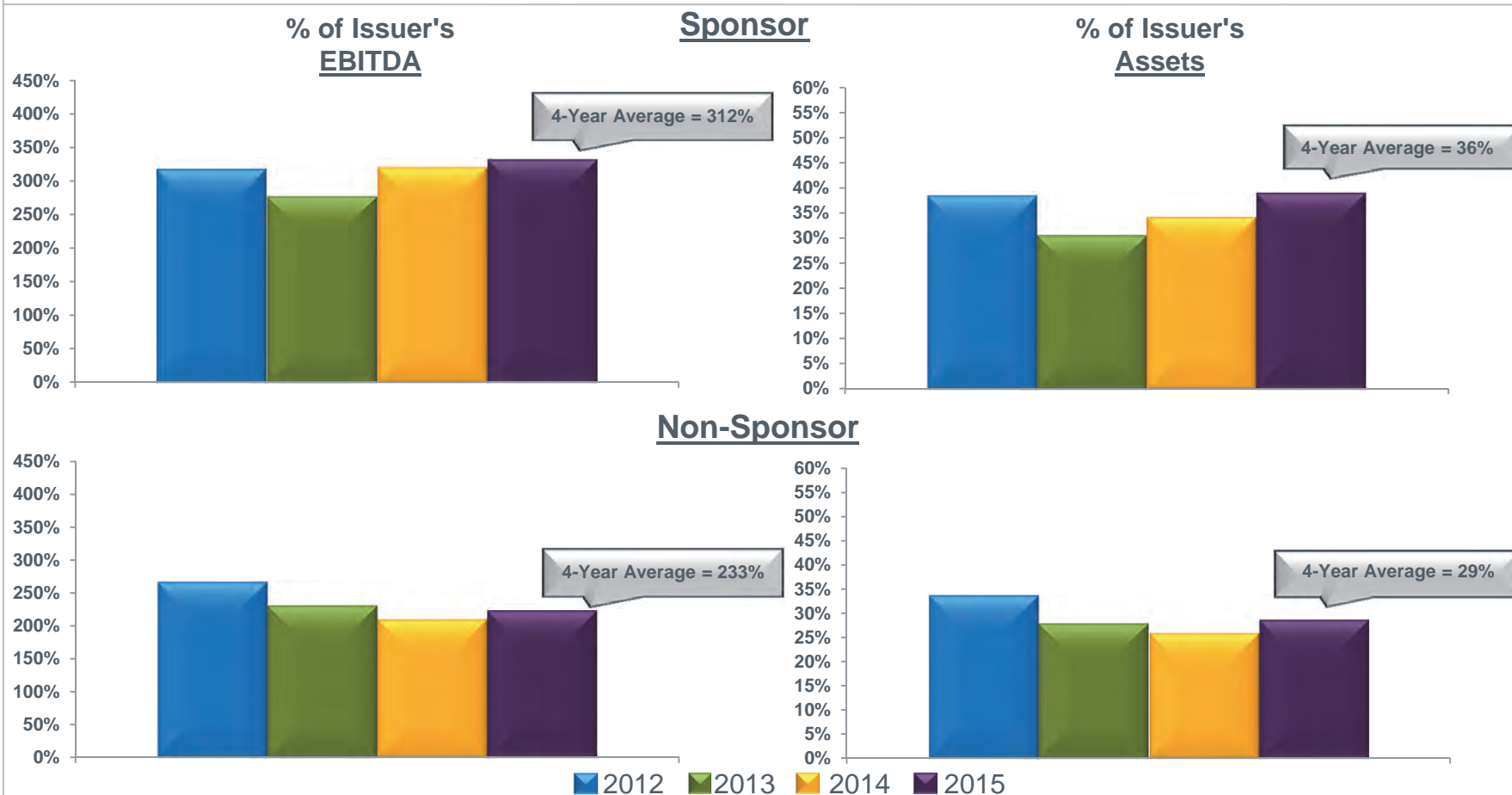
Ratings Breakdown



■ 2012 ■ 2013 ■ 2014 ■ 2015

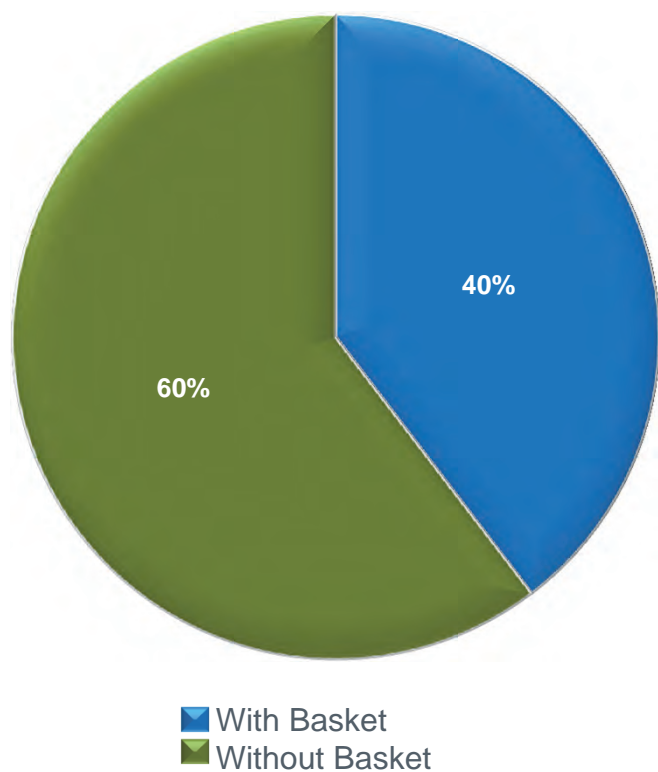
Senior Credit Facilities Basket

Sponsor Breakdown



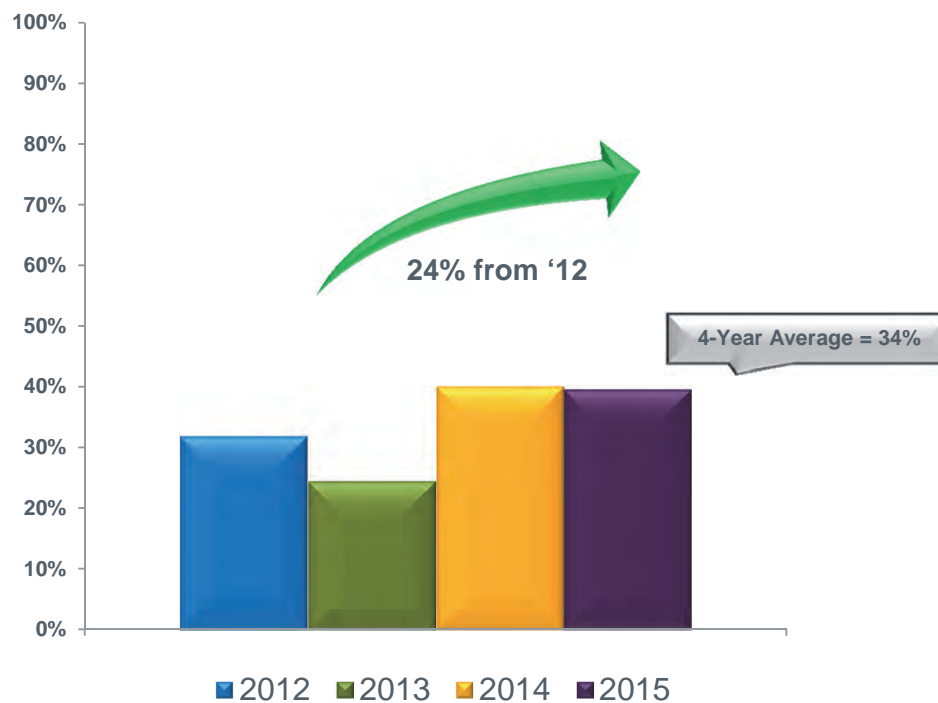
Contribution Indebtedness % of Deals

Global 2015

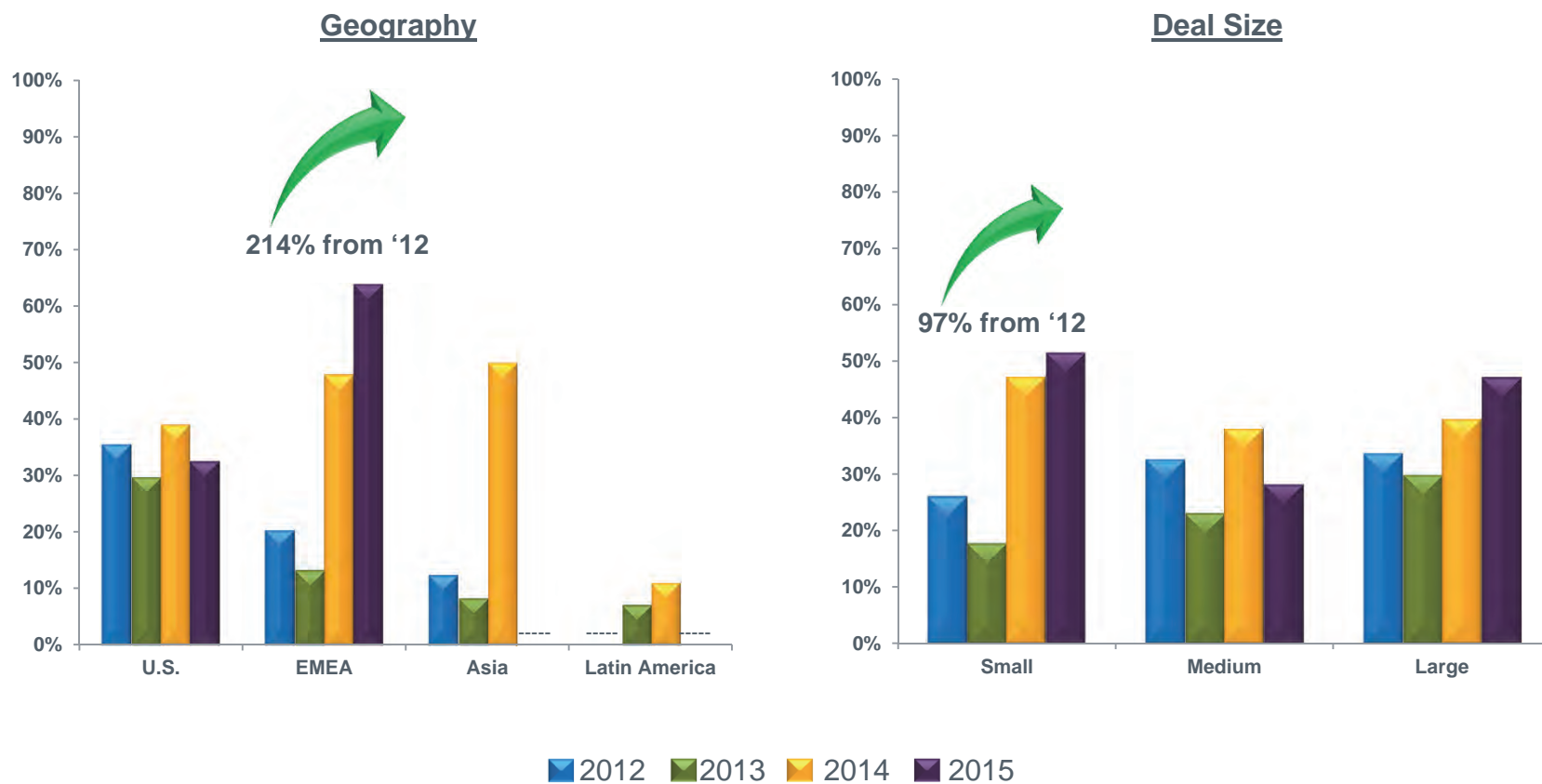


Global

% of Deals with Basket



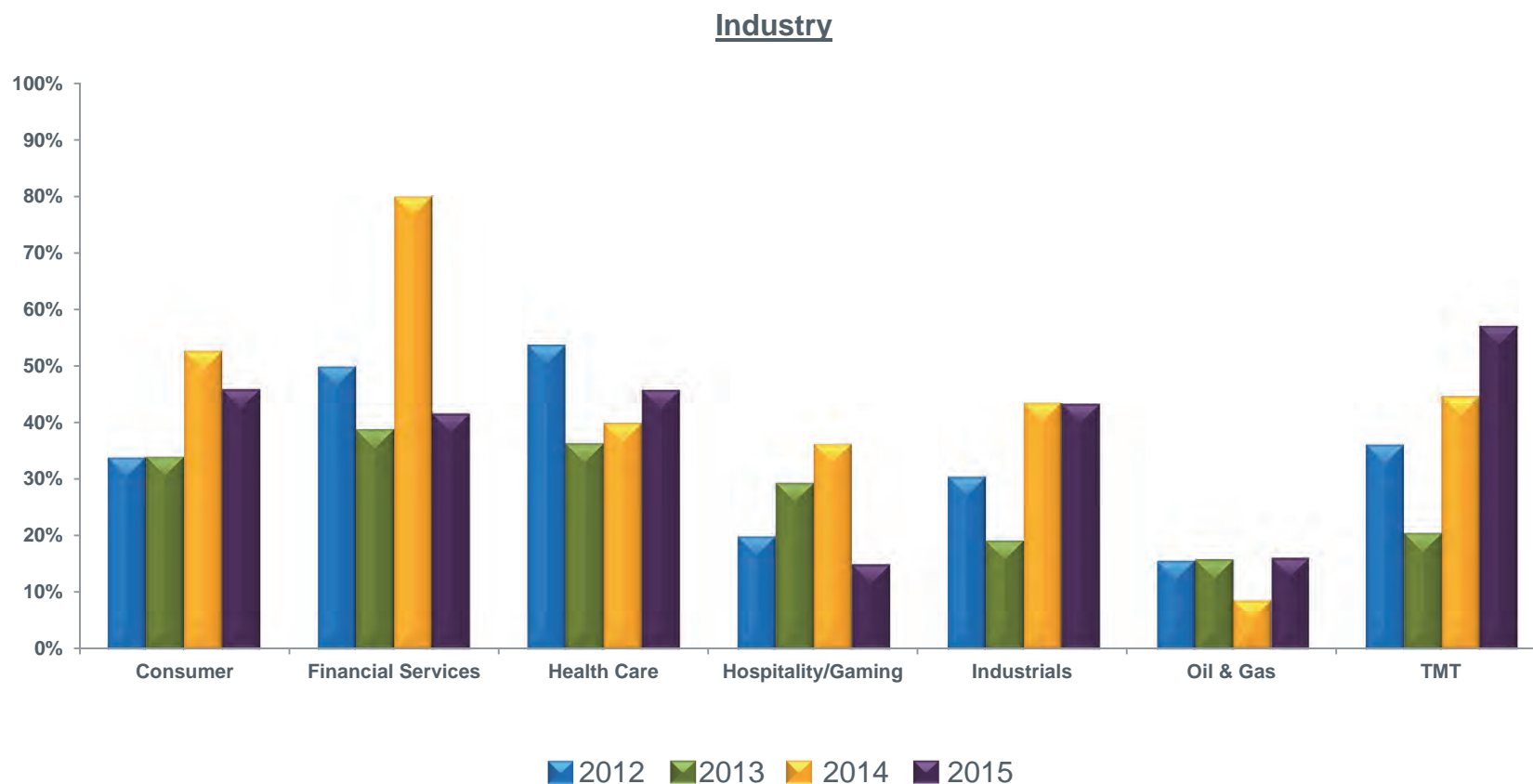
Contribution Indebtedness % of Deals with Basket



----- Indicates no reviewed deals contained term

Contribution Indebtedness

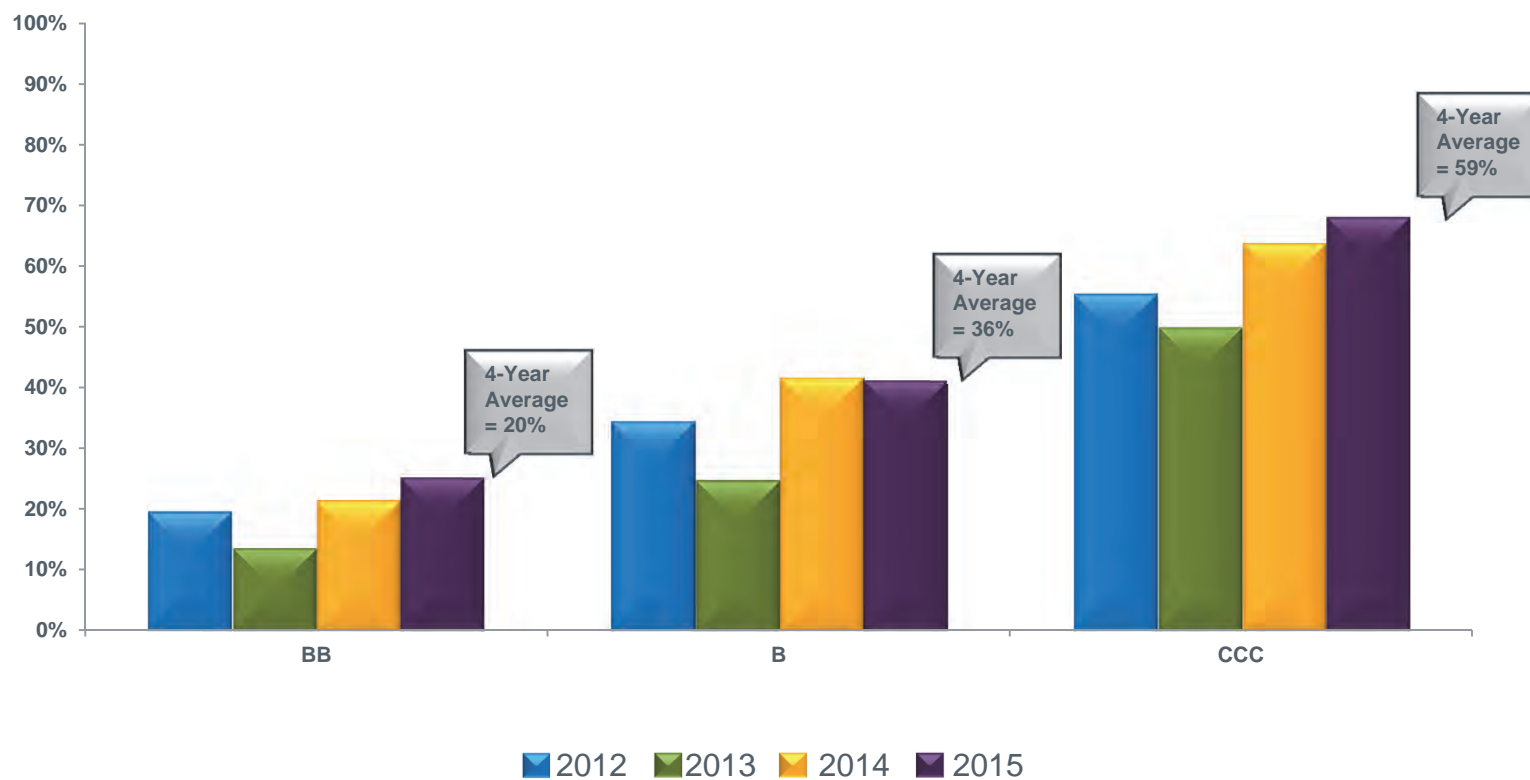
% of Deals with Basket



Contribution Indebtedness

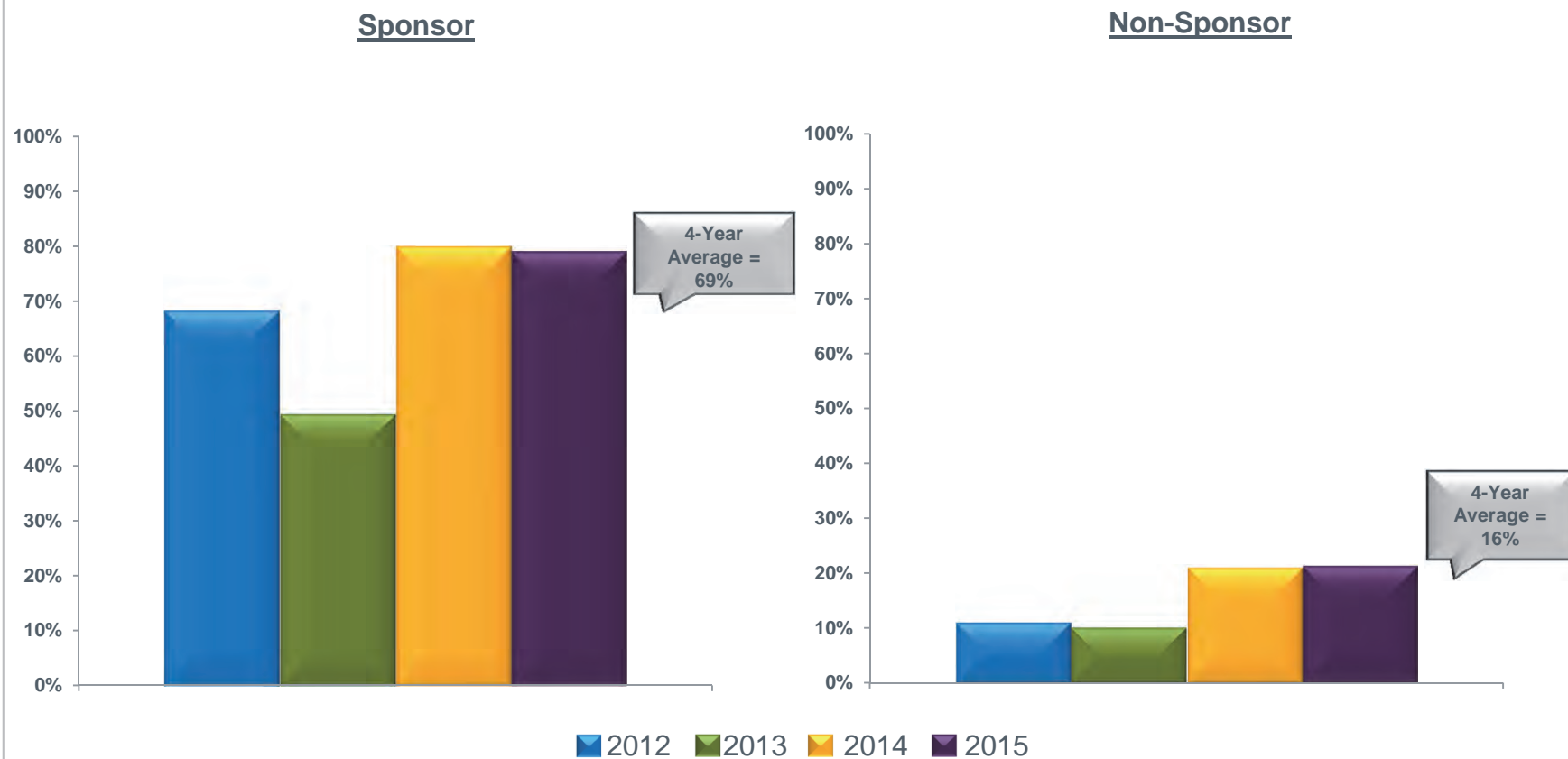
% of Deals with Basket

Ratings



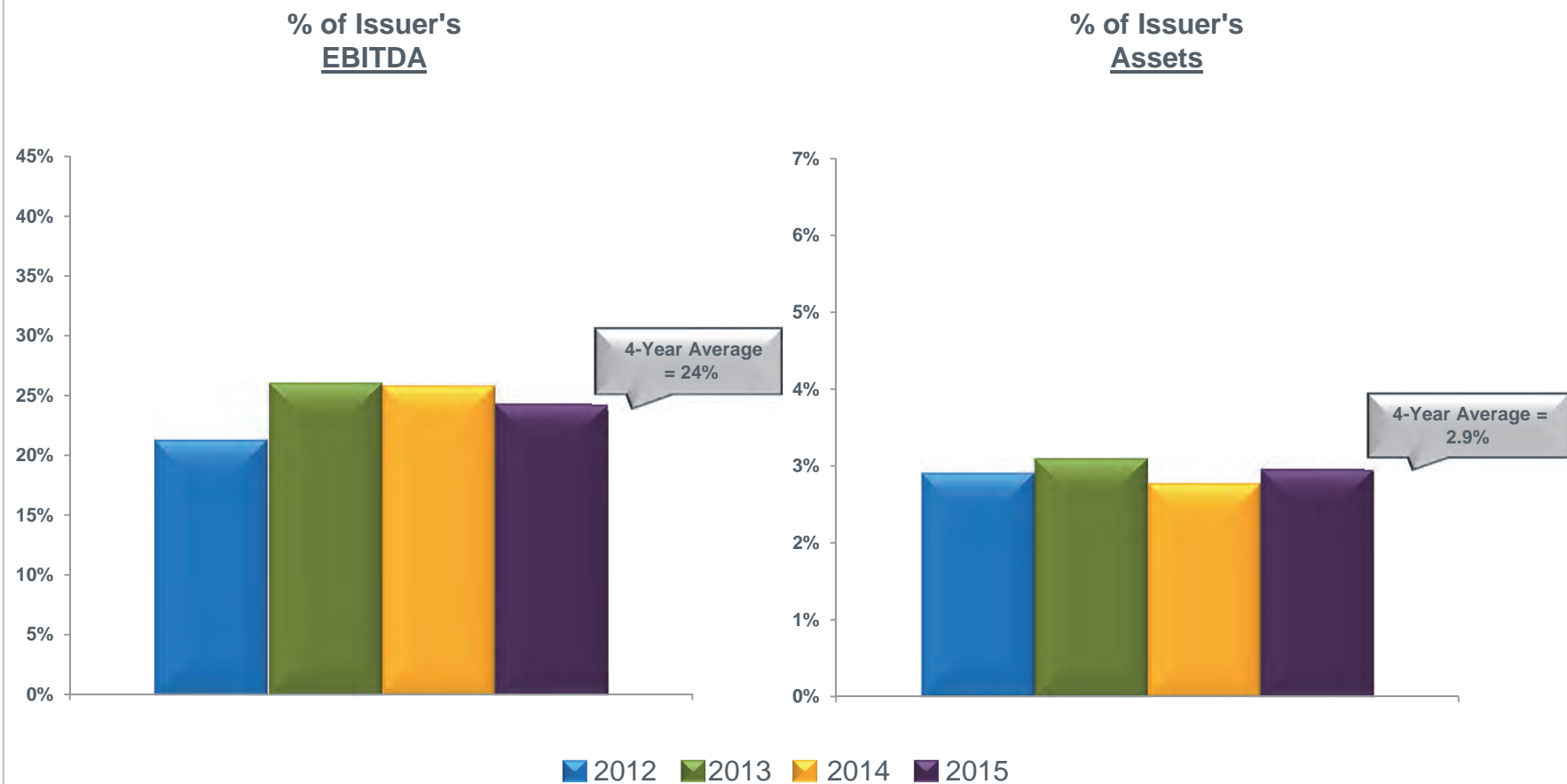
Contribution Indebtedness

% of Deals with Basket



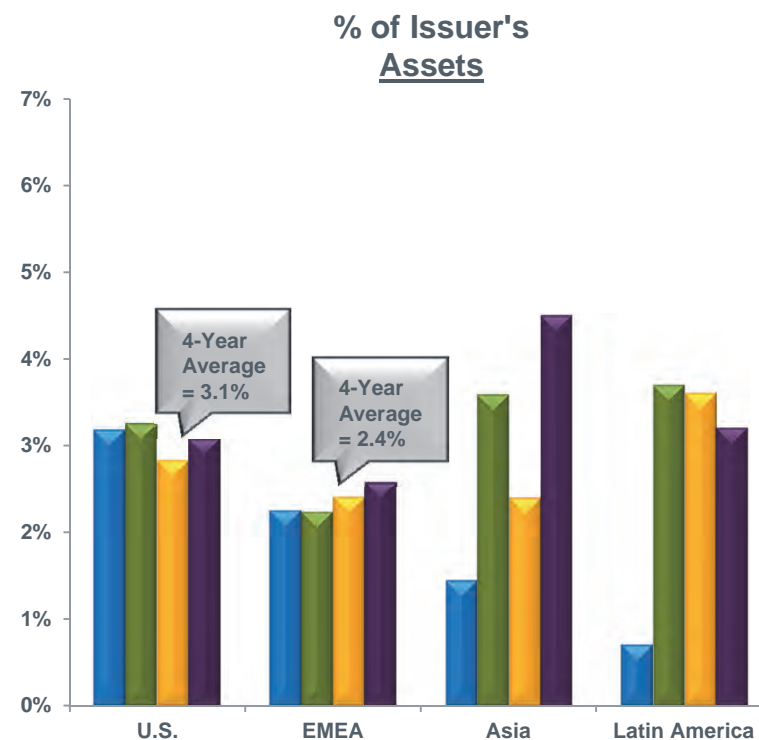
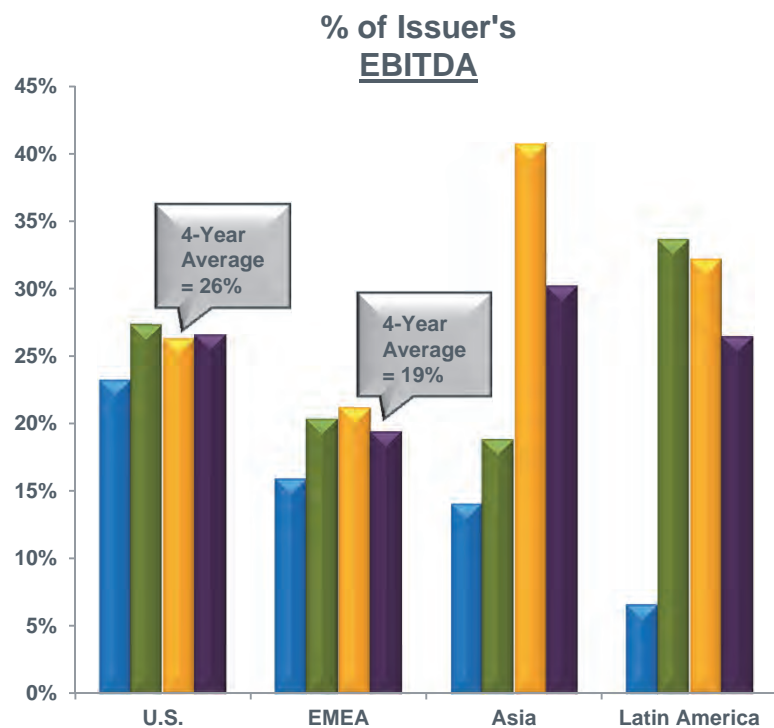
Purchase Money/Capital Lease Debt Basket

Global Analysis



Purchase Money/Capital Lease Debt Basket

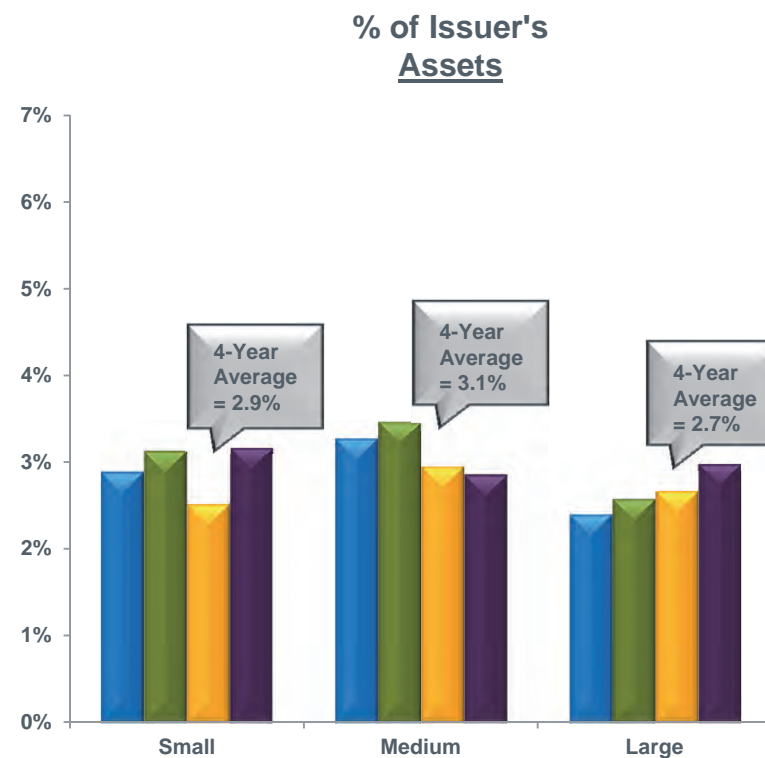
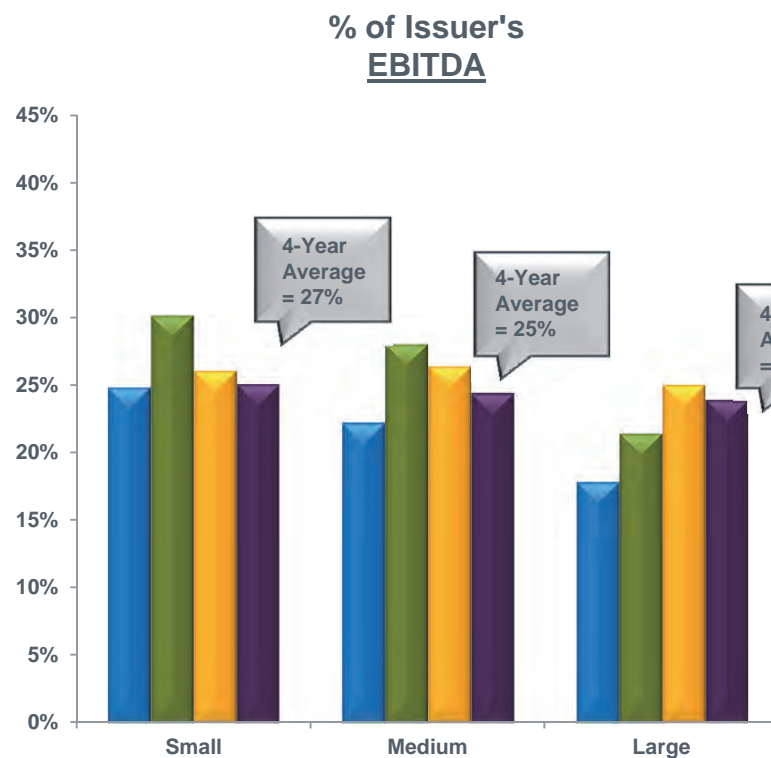
Geographic Breakdown



■ 2012 ■ 2013 ■ 2014 ■ 2015

Purchase Money/Capital Lease Debt Basket

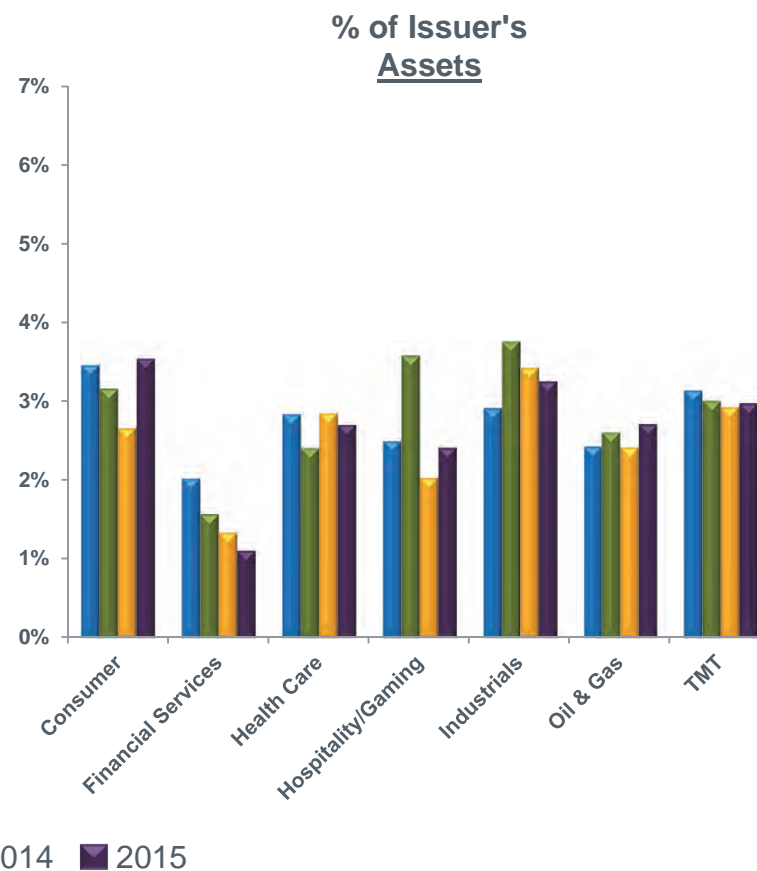
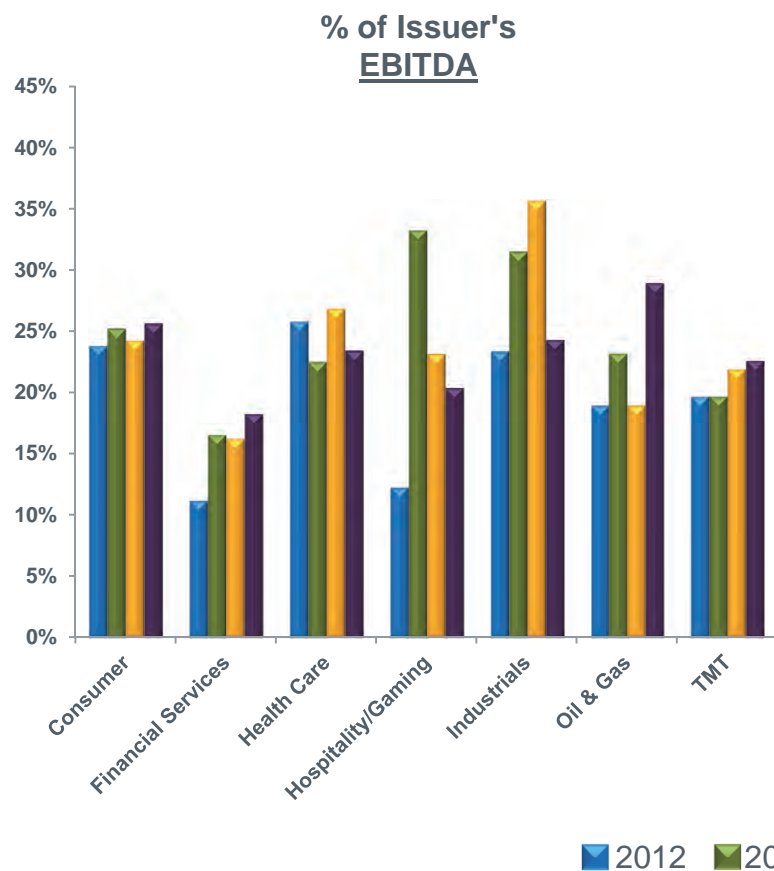
Deal Size Breakdown



■ 2012 ■ 2013 ■ 2014 ■ 2015

Purchase Money/Capital Lease Debt Basket

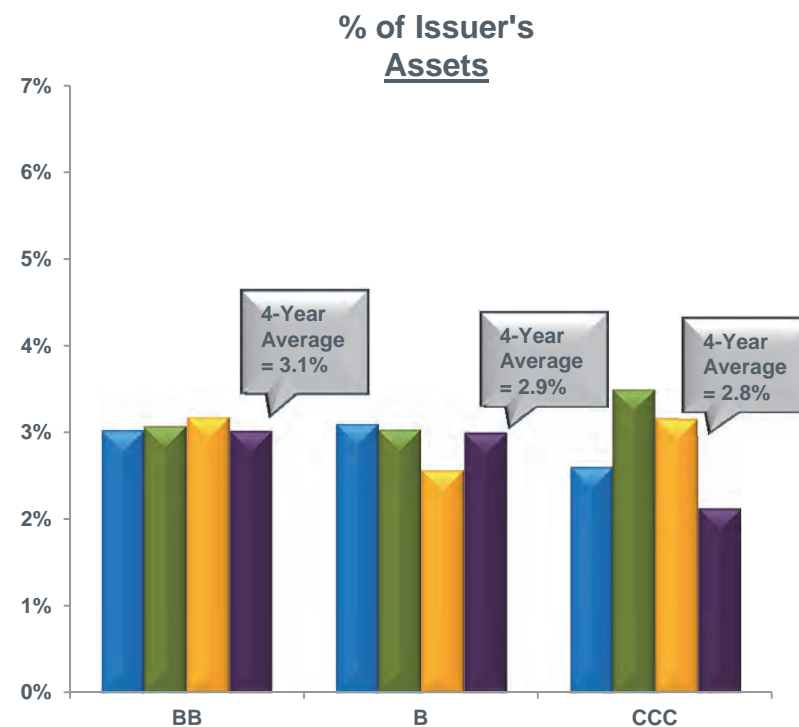
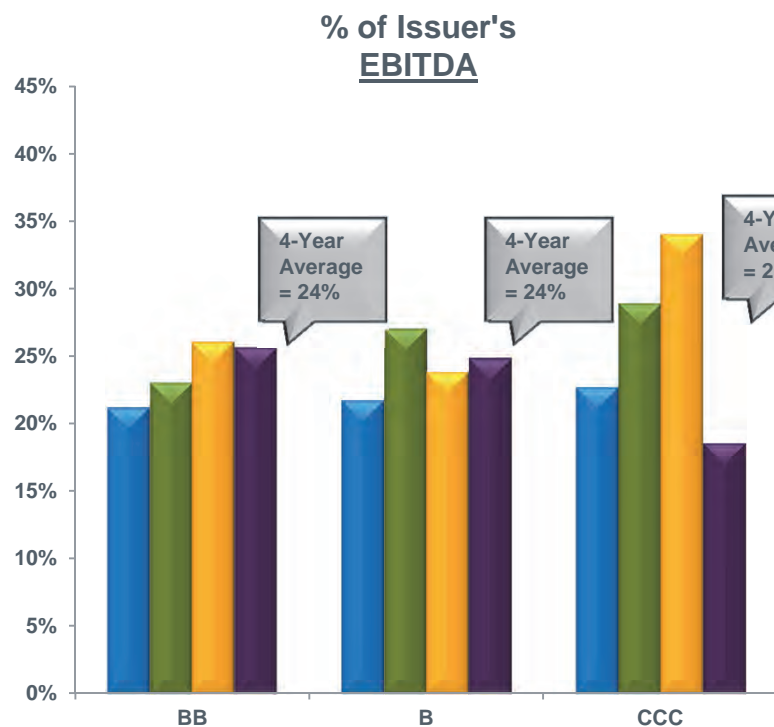
Industry Breakdown



■ 2012 ■ 2013 ■ 2014 ■ 2015

Purchase Money/Capital Lease Debt Basket

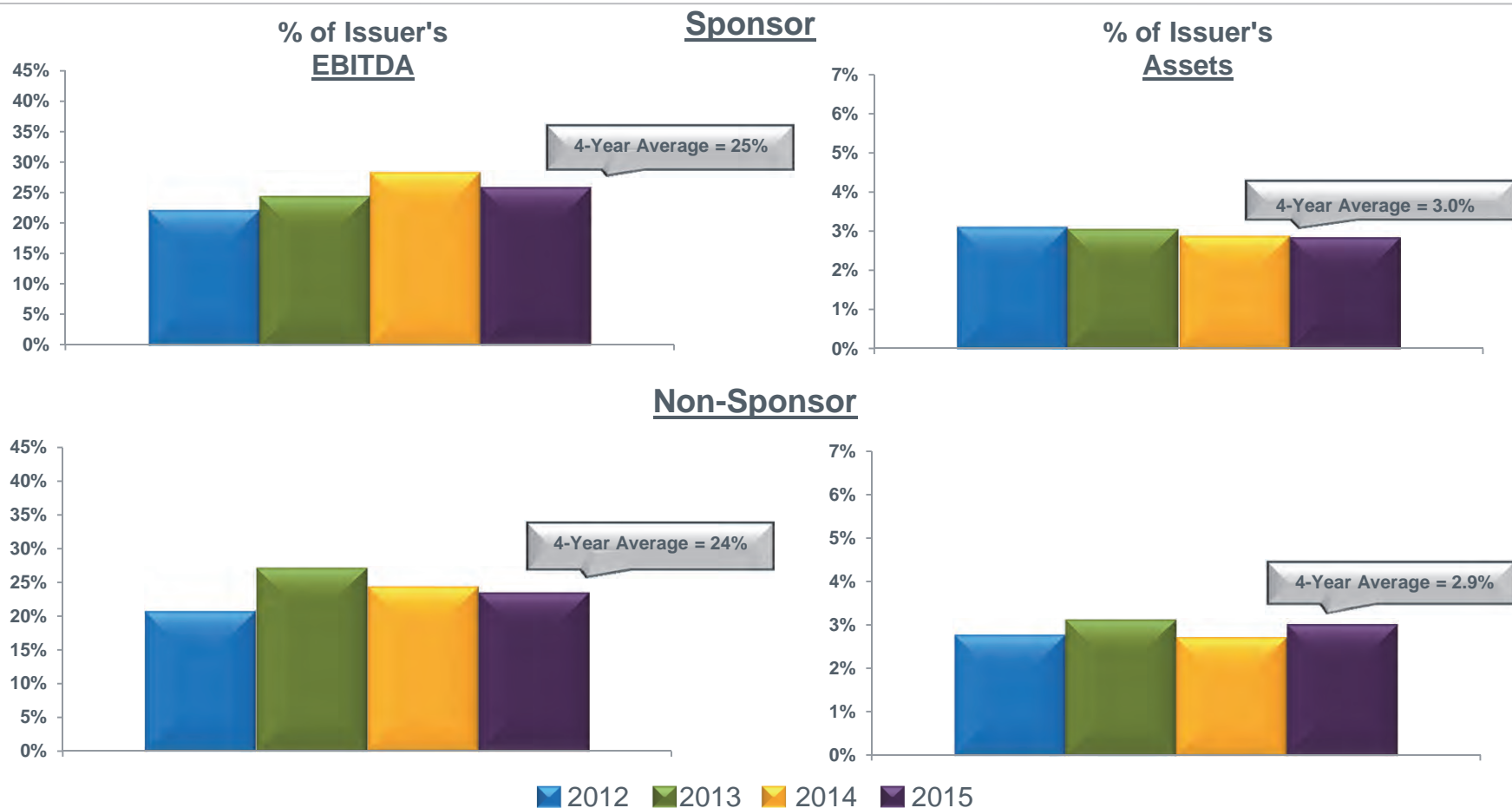
Ratings Breakdown



■ 2012 ■ 2013 ■ 2014 ■ 2015

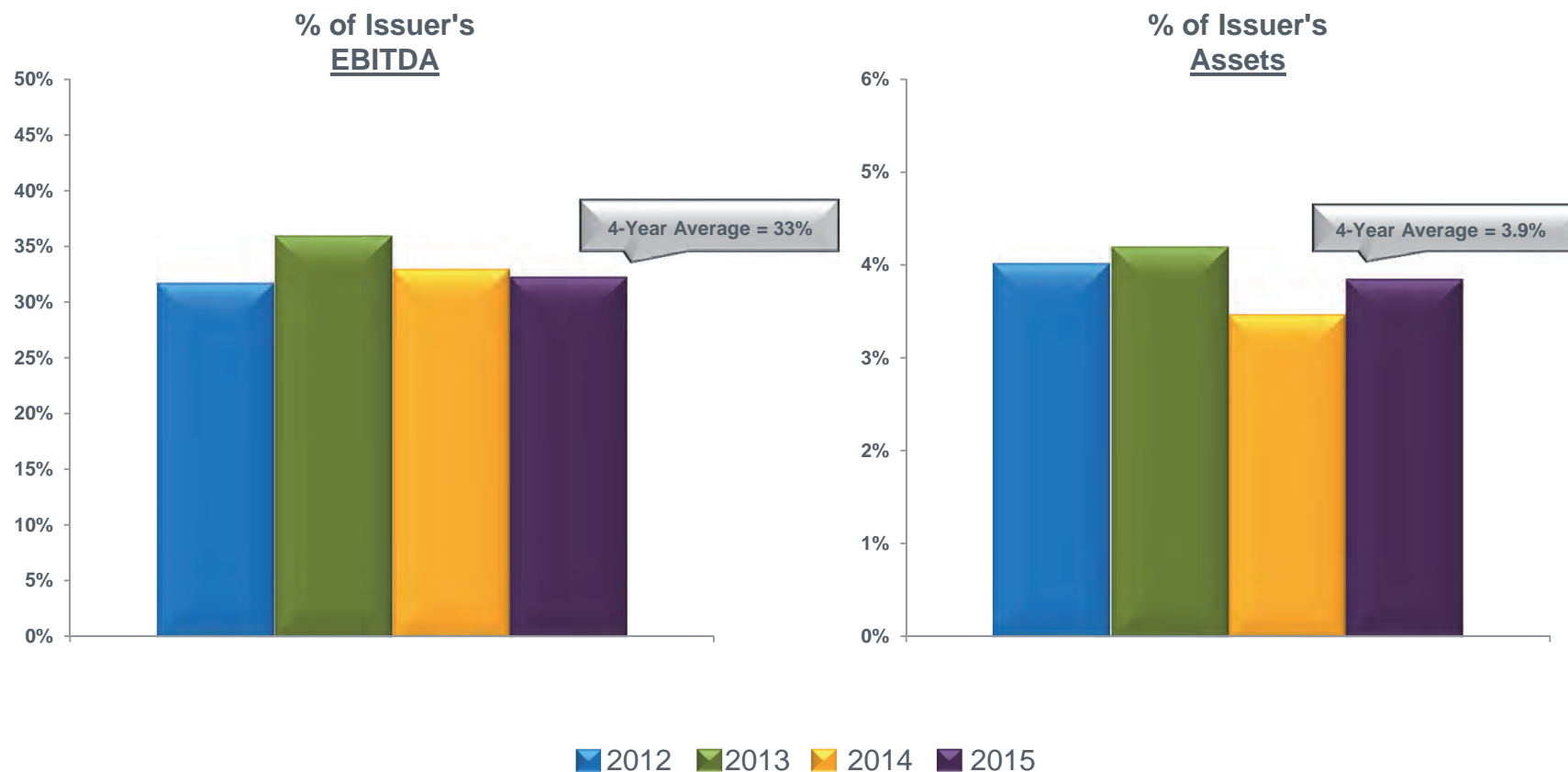
Purchase Money/Capital Lease Debt Basket

Sponsor Breakdown



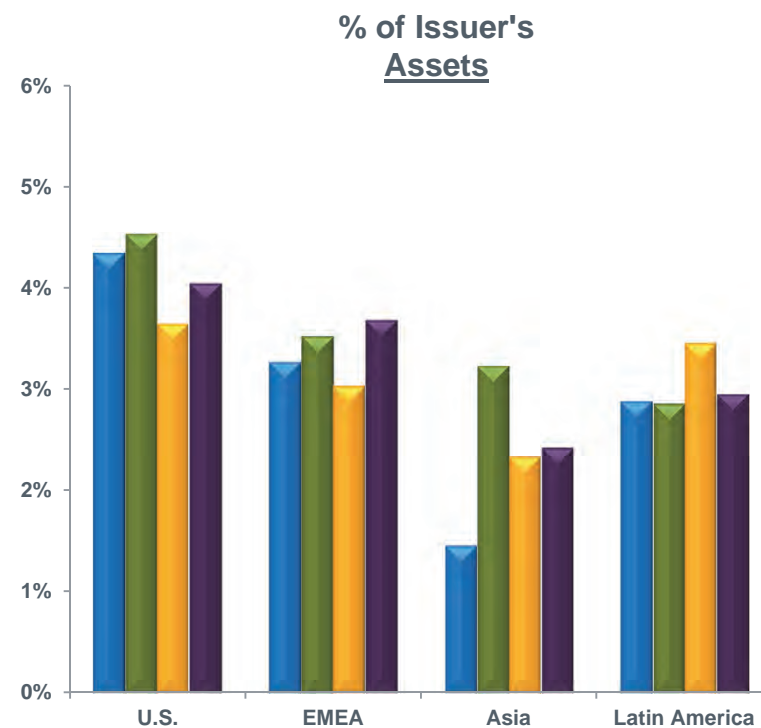
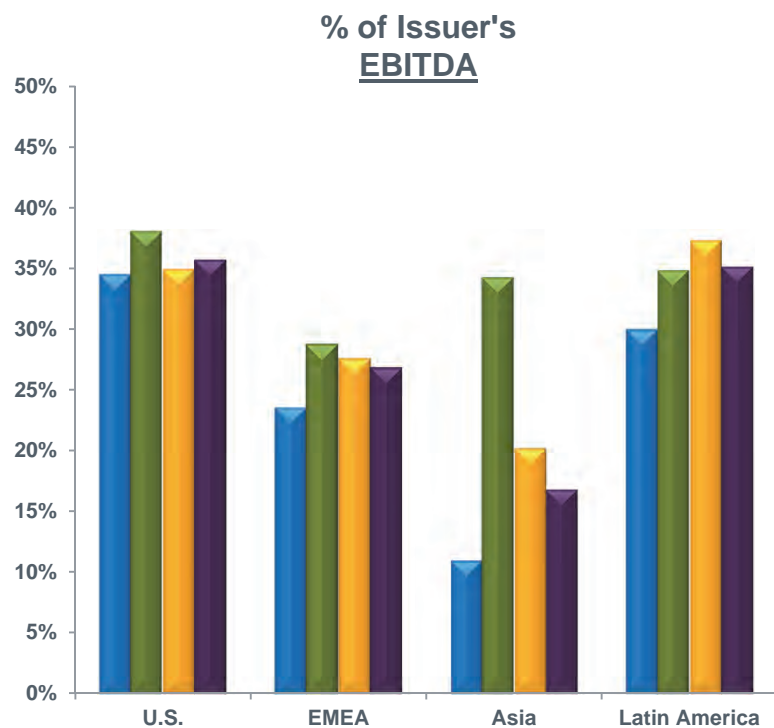
General Debt Basket

Global Analysis



General Debt Basket

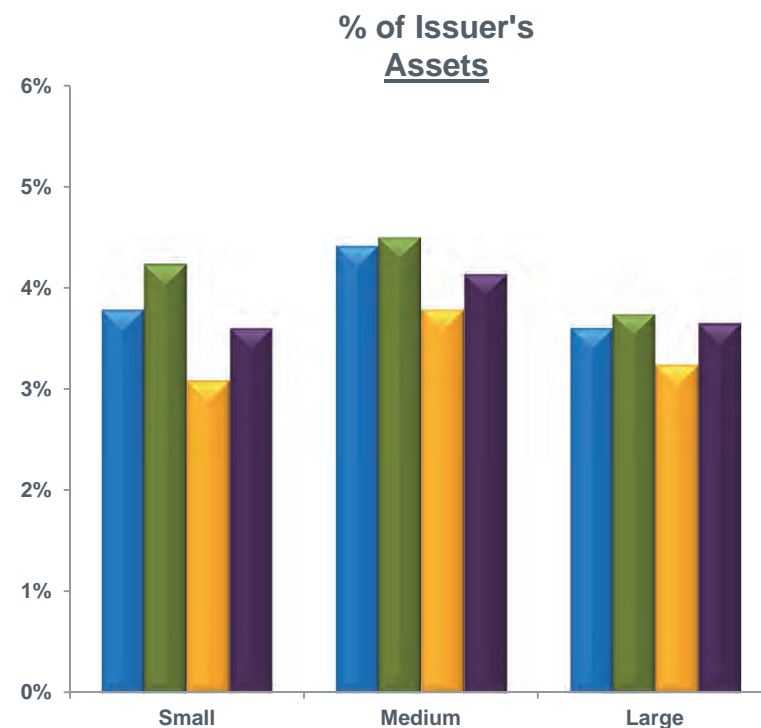
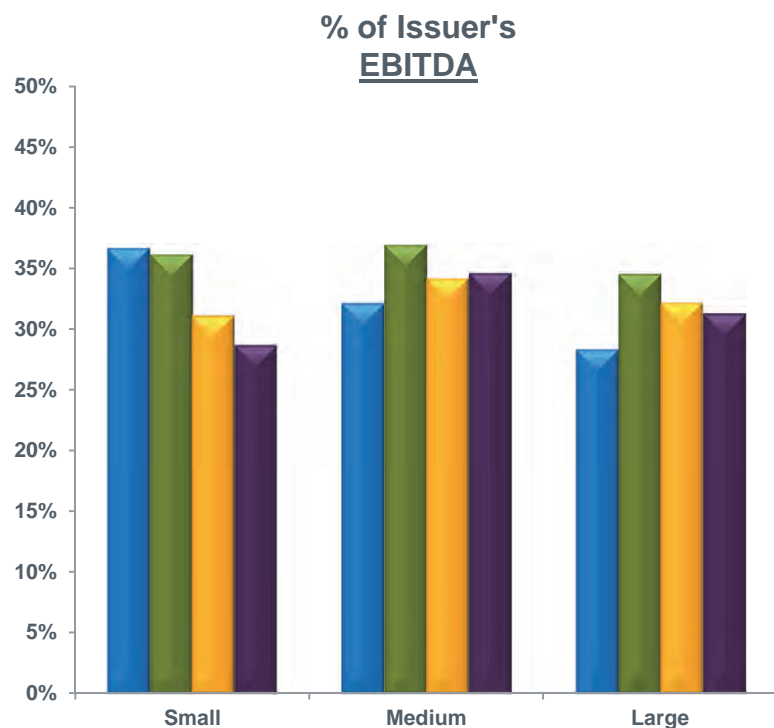
Geographic Breakdown



■ 2012 ■ 2013 ■ 2014 ■ 2015

General Debt Basket

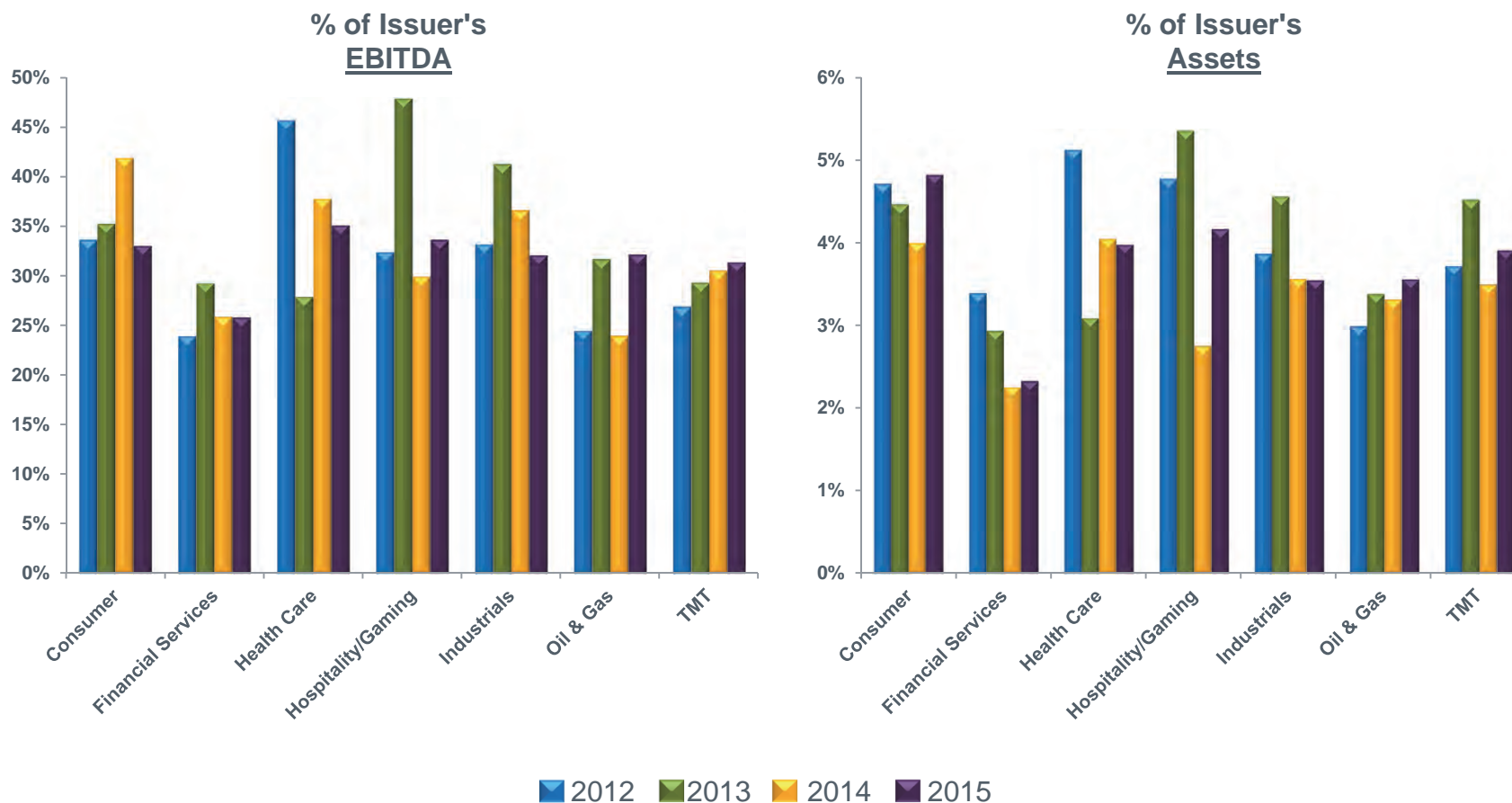
Deal Size Breakdown



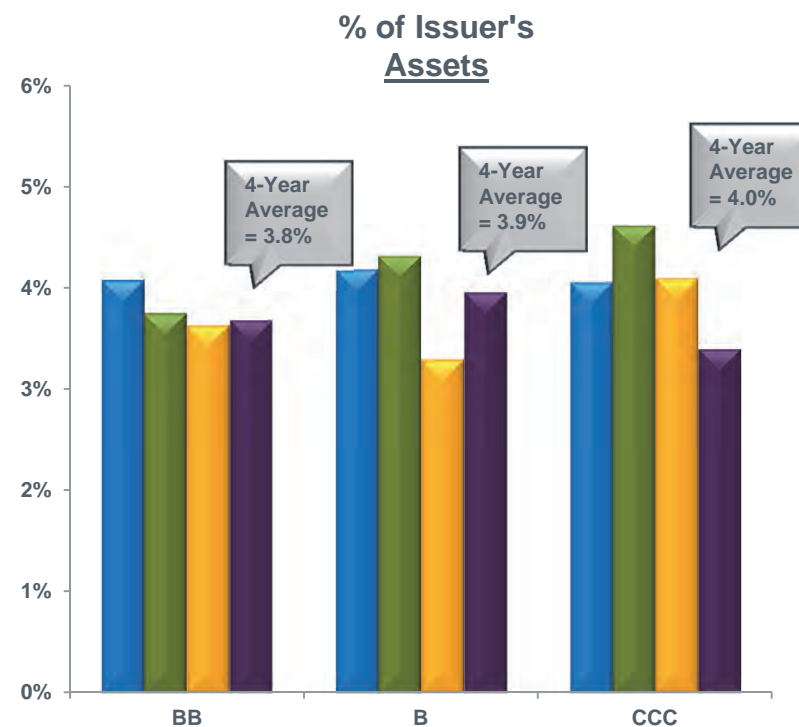
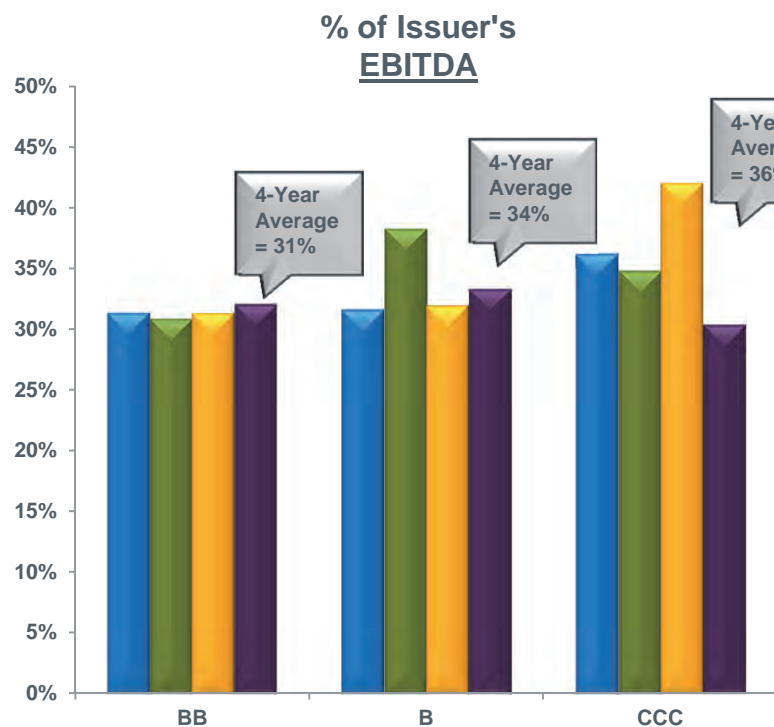
■ 2012 ■ 2013 ■ 2014 ■ 2015

General Debt Basket

Industry Breakdown



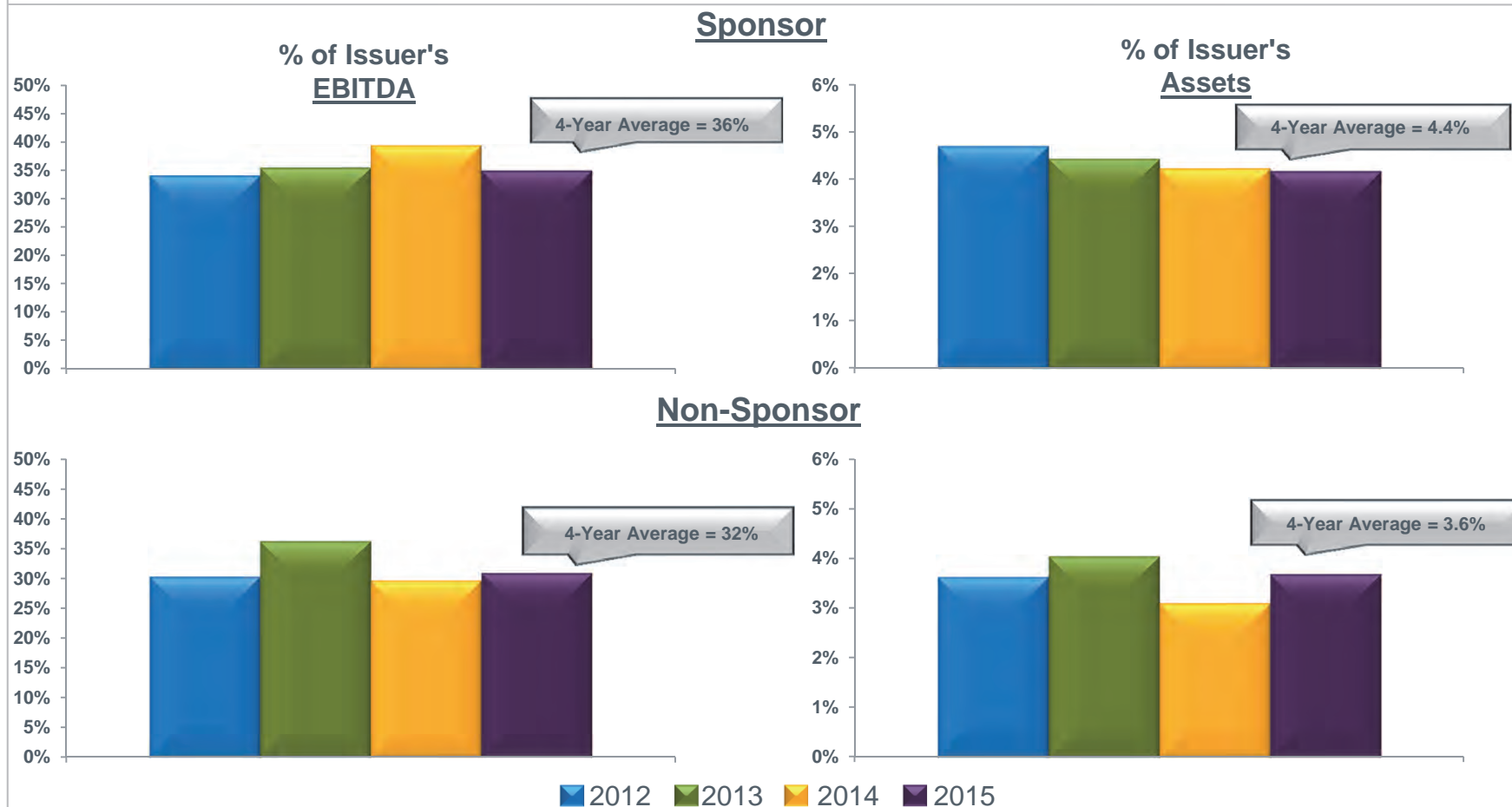
General Debt Basket Ratings Breakdown



■ 2012 ■ 2013 ■ 2014 ■ 2015

General Debt Basket

Sponsor Breakdown



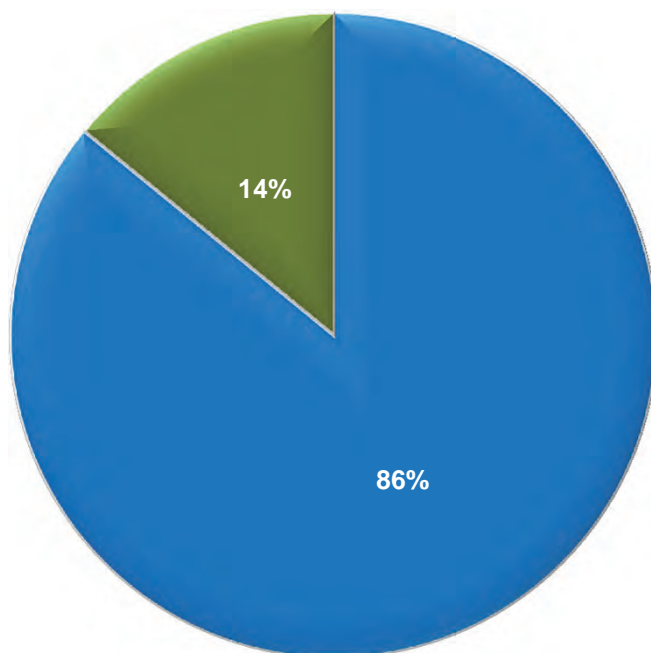


Restricted Payments / Investments

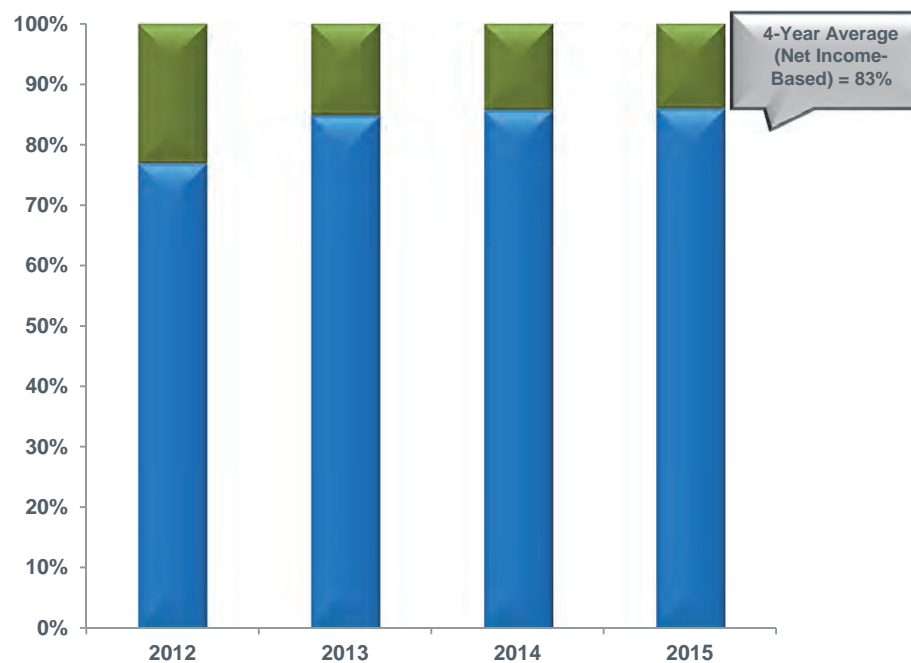
Restricted Payments General Build-Up

% of Deals

Global 2015



Global

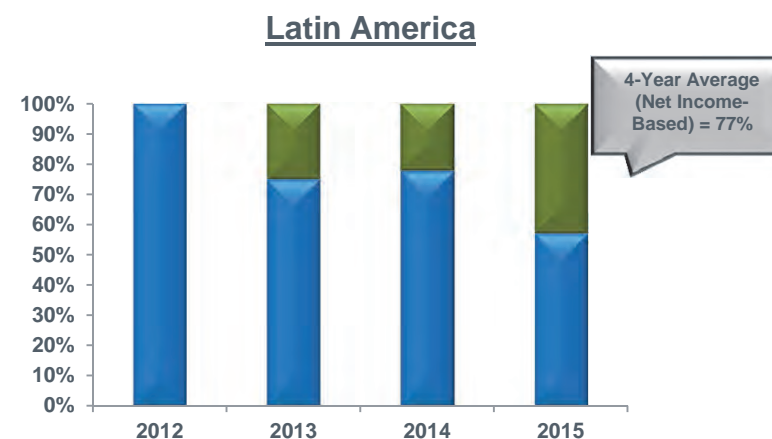
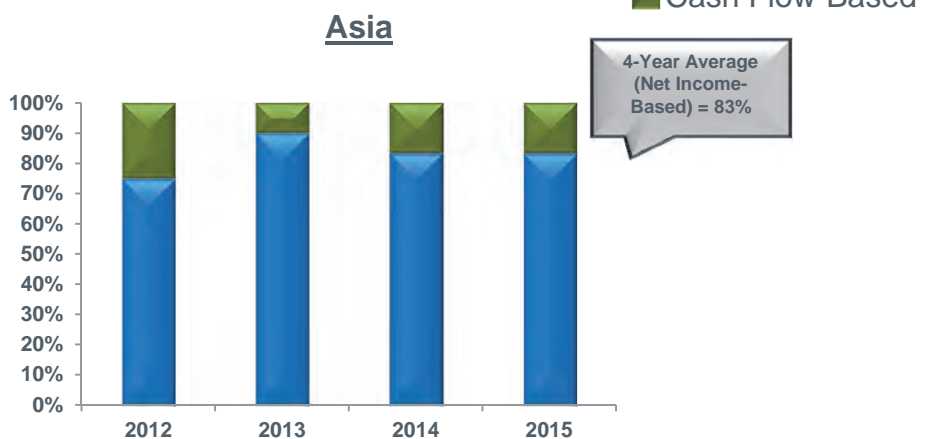
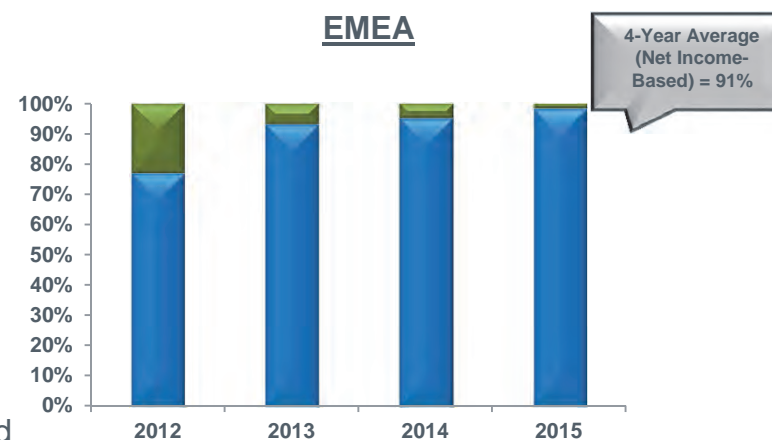
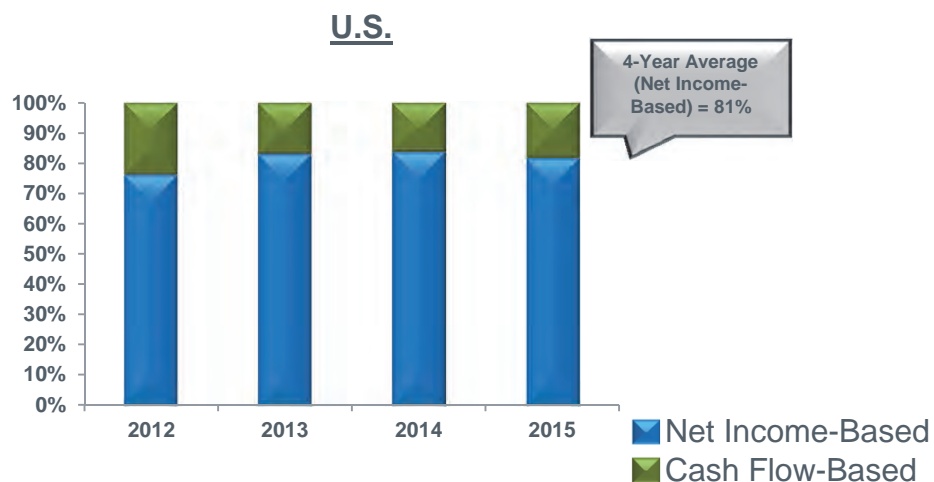


■ Net Income-Based

■ Cash Flow-Based

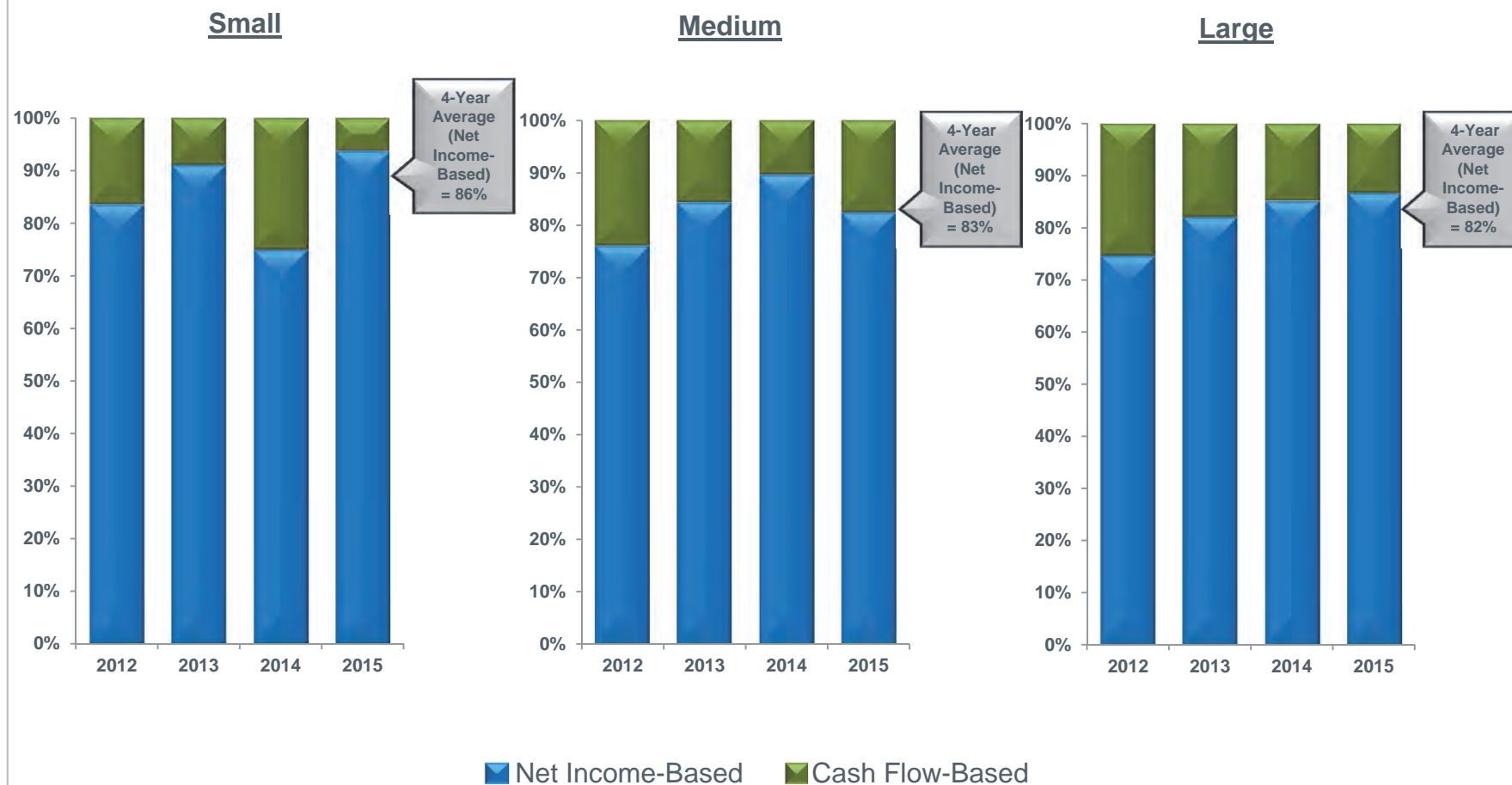
Restricted Payments General Build-Up

Geographic Breakdown



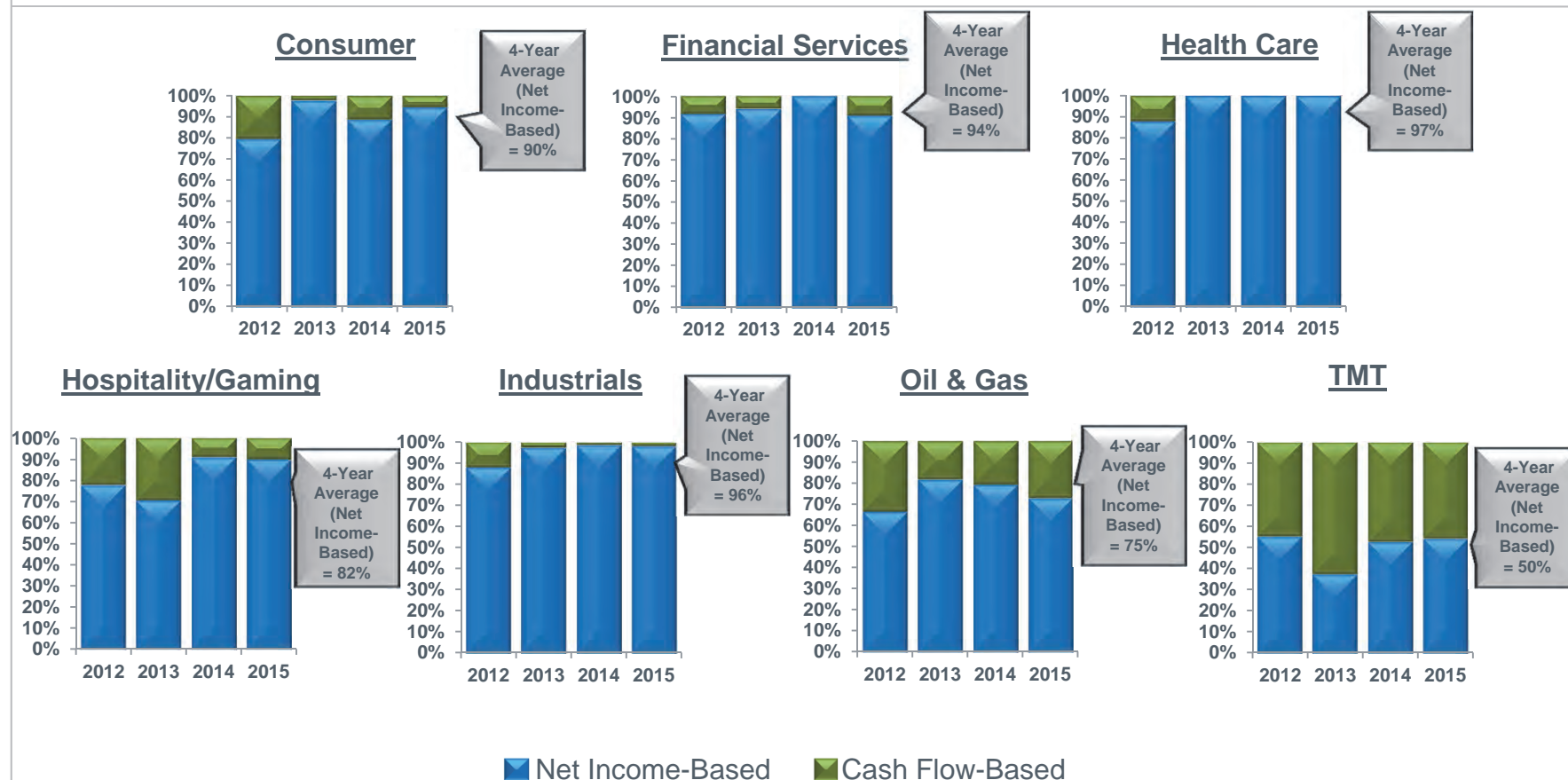
Restricted Payments General Build-Up

Deal Size Breakdown



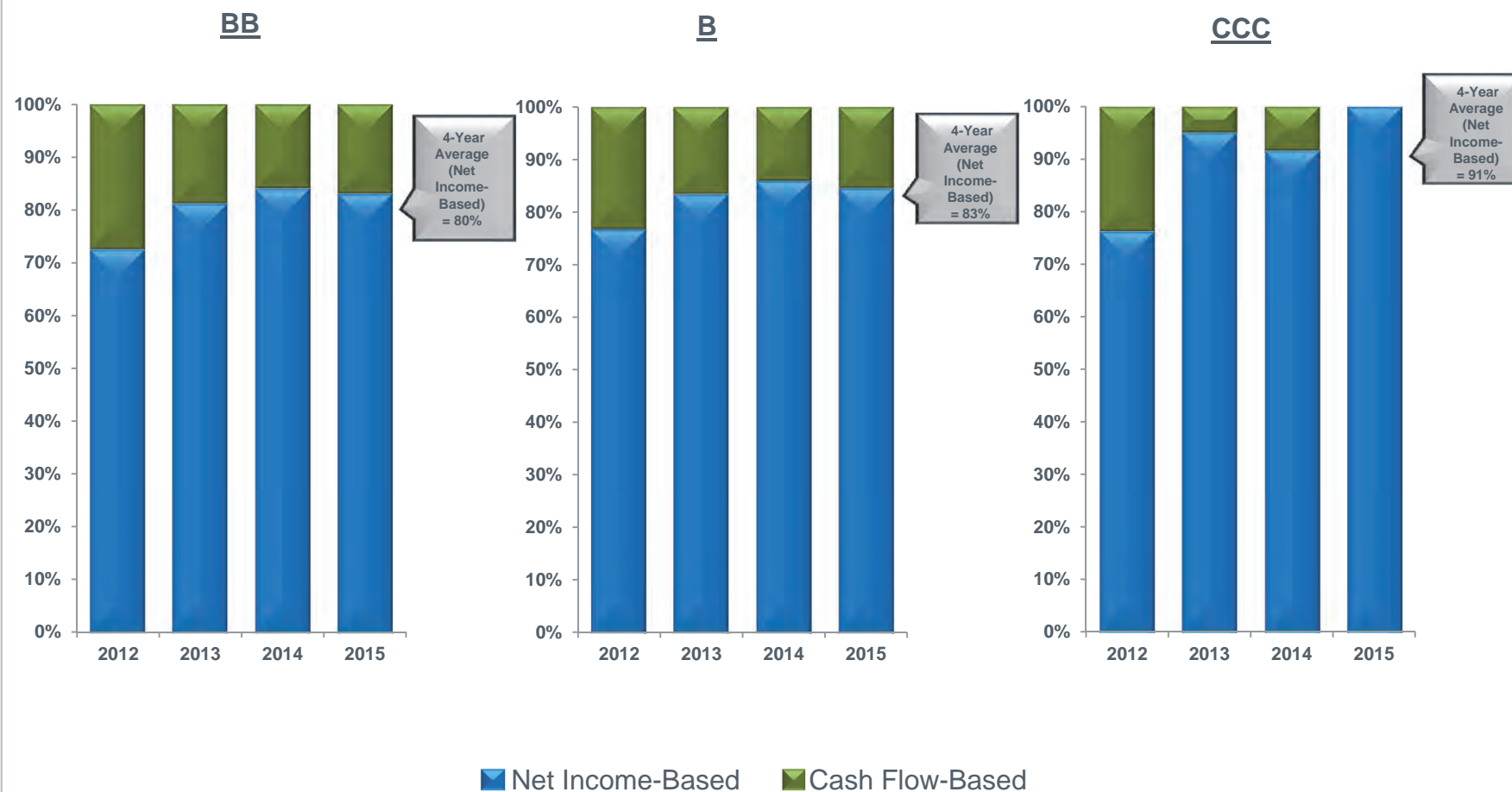
Restricted Payments General Build-Up

Industry Breakdown



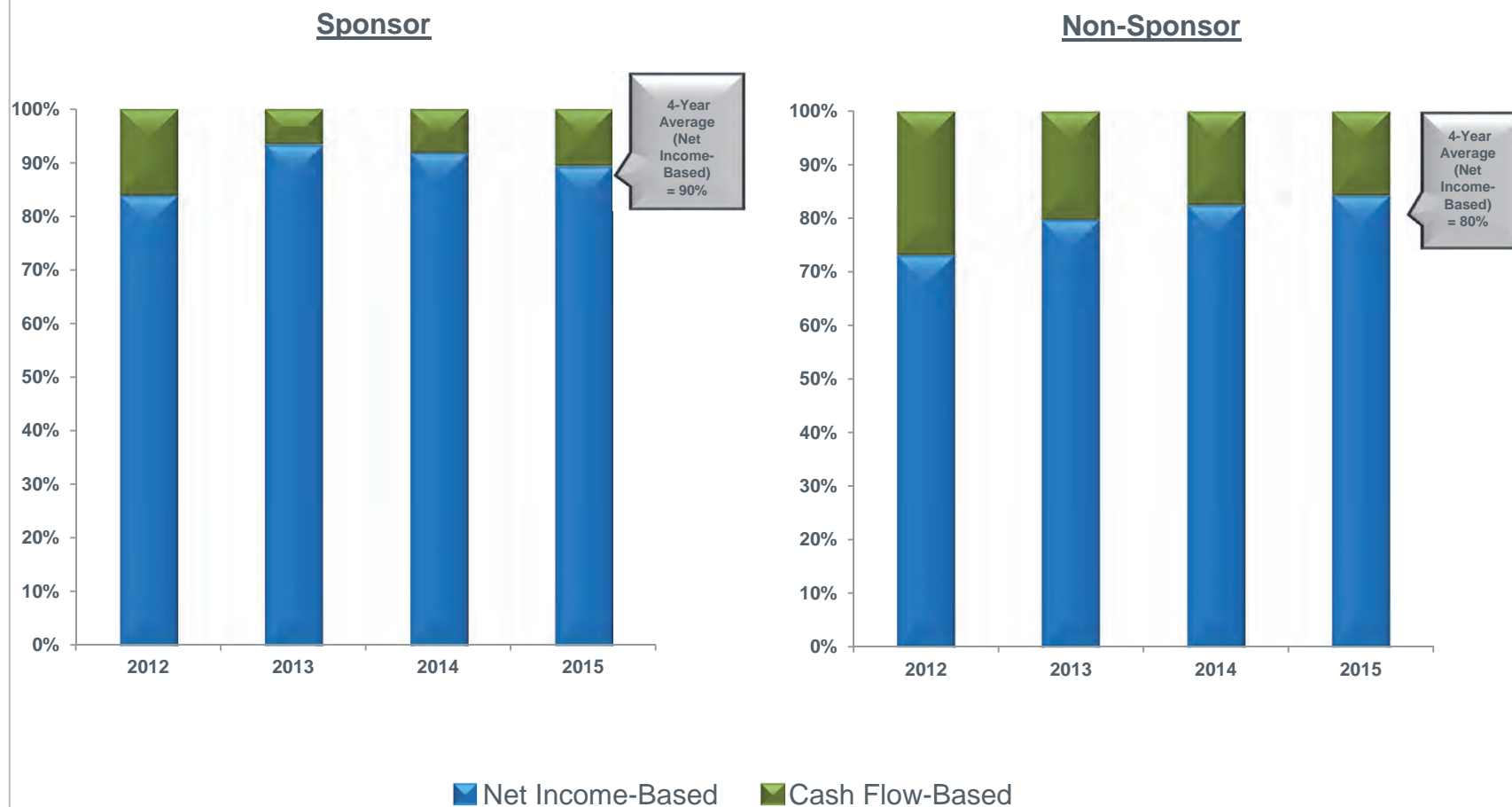
Restricted Payments General Build-Up

Ratings Breakdown



Restricted Payments General Build-Up

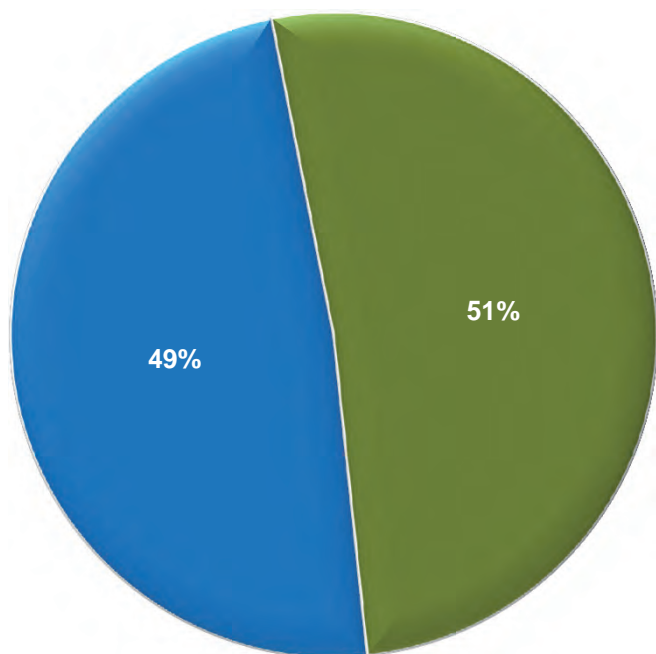
Sponsor Breakdown



Excluded Contributions

% of Deals

Global 2015

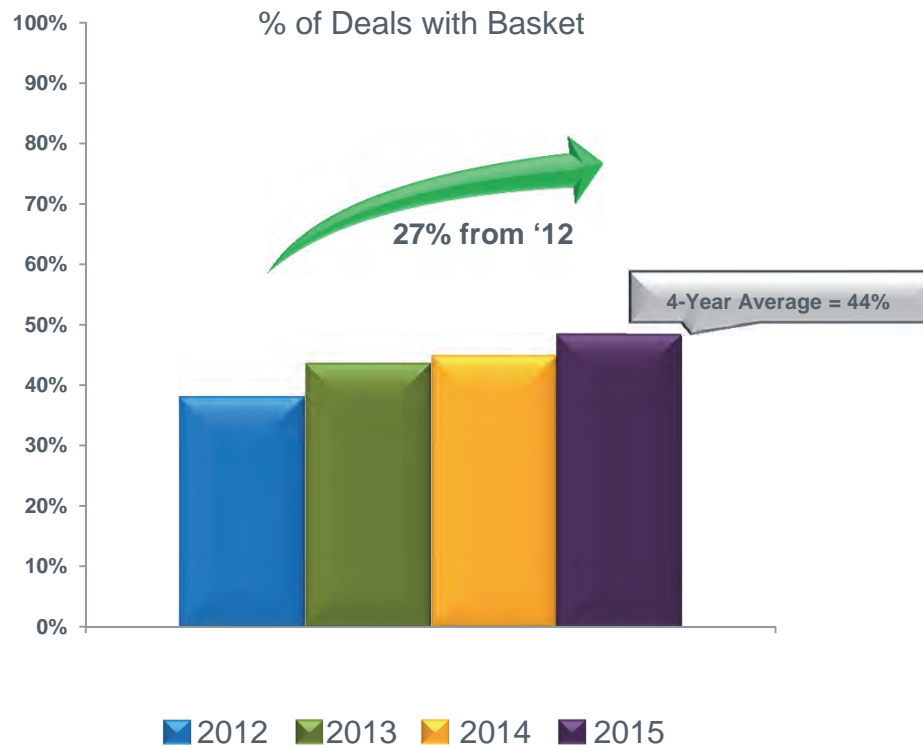


■ With Basket

■ Without Basket

Global

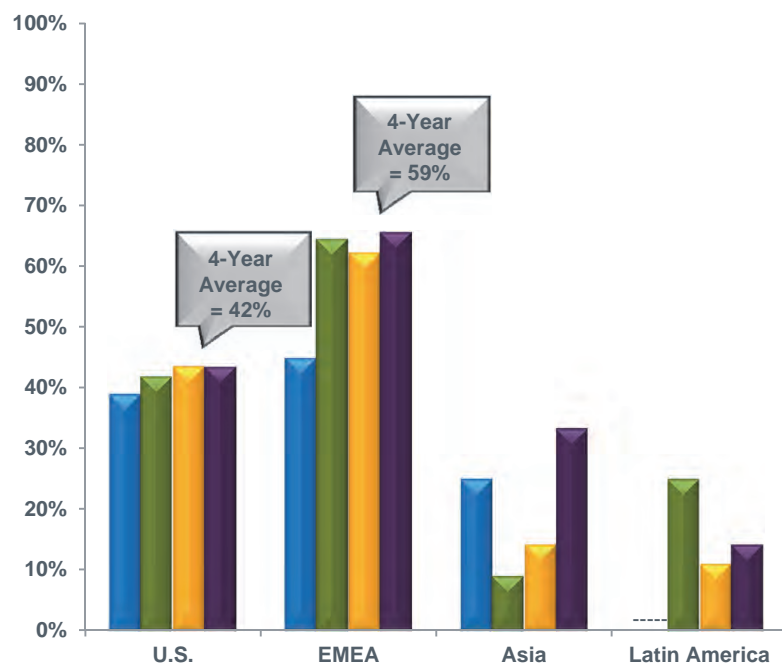
% of Deals with Basket



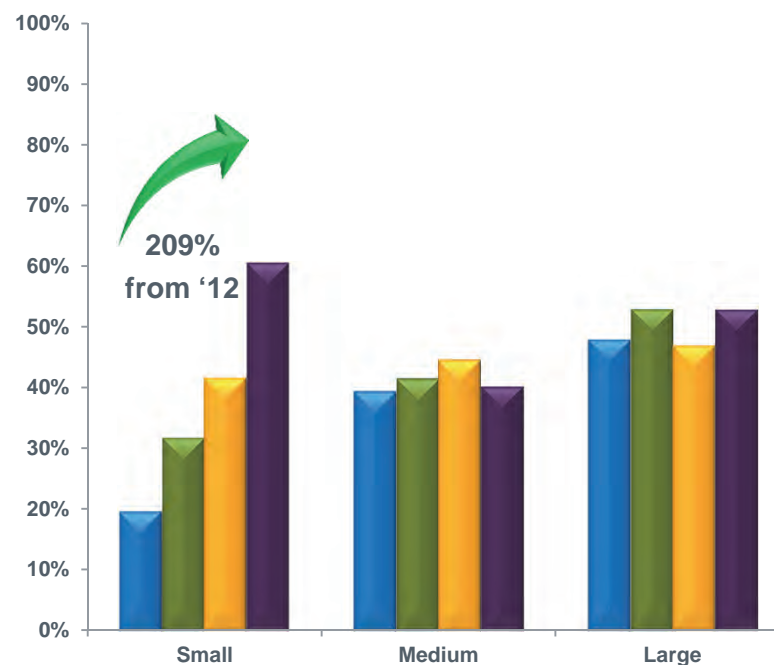
Excluded Contributions

% of Deals with Basket

Geography



Deal Size

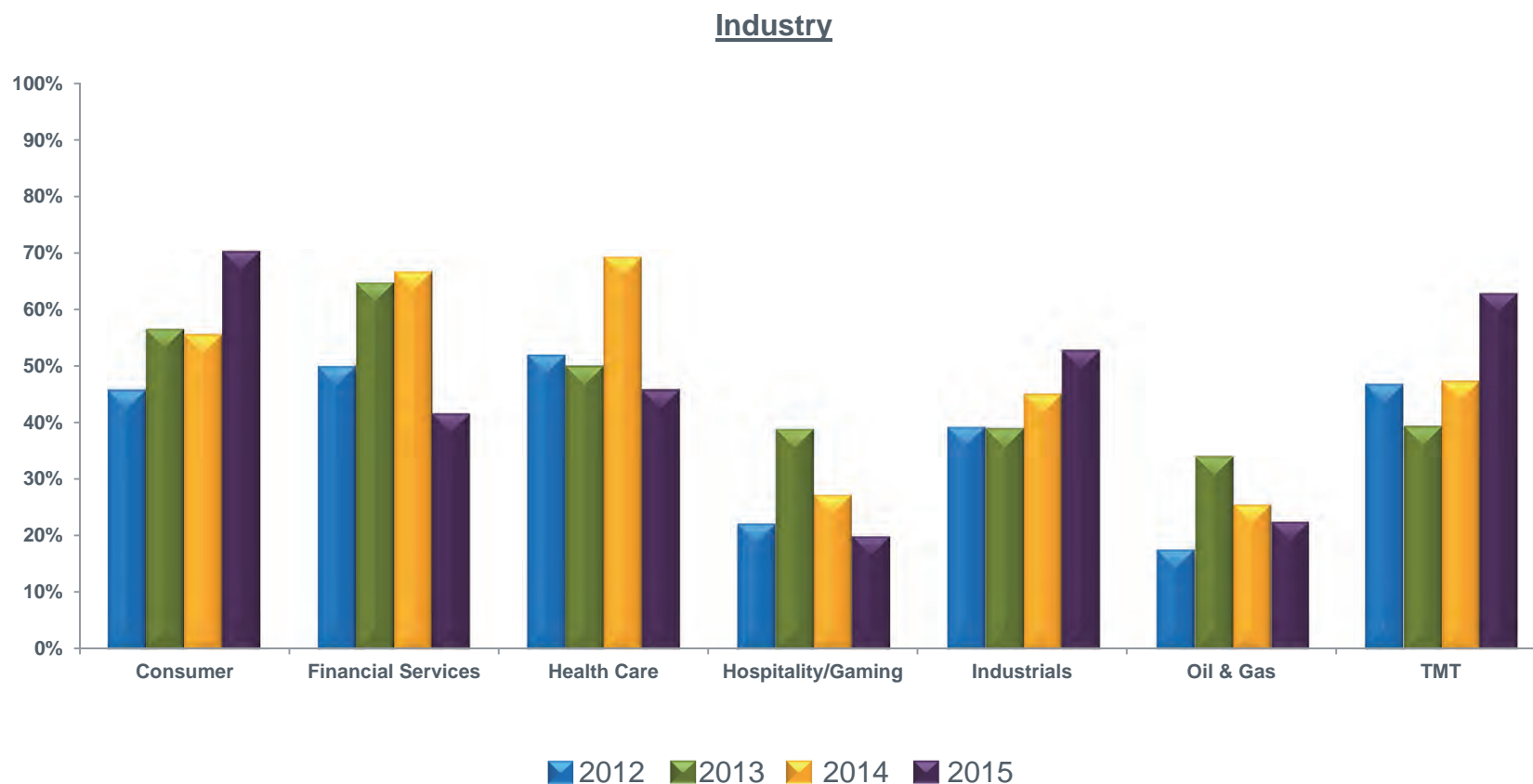


■ 2012 ■ 2013 ■ 2014 ■ 2015

----- Indicates no reviewed deals contained term

Excluded Contributions

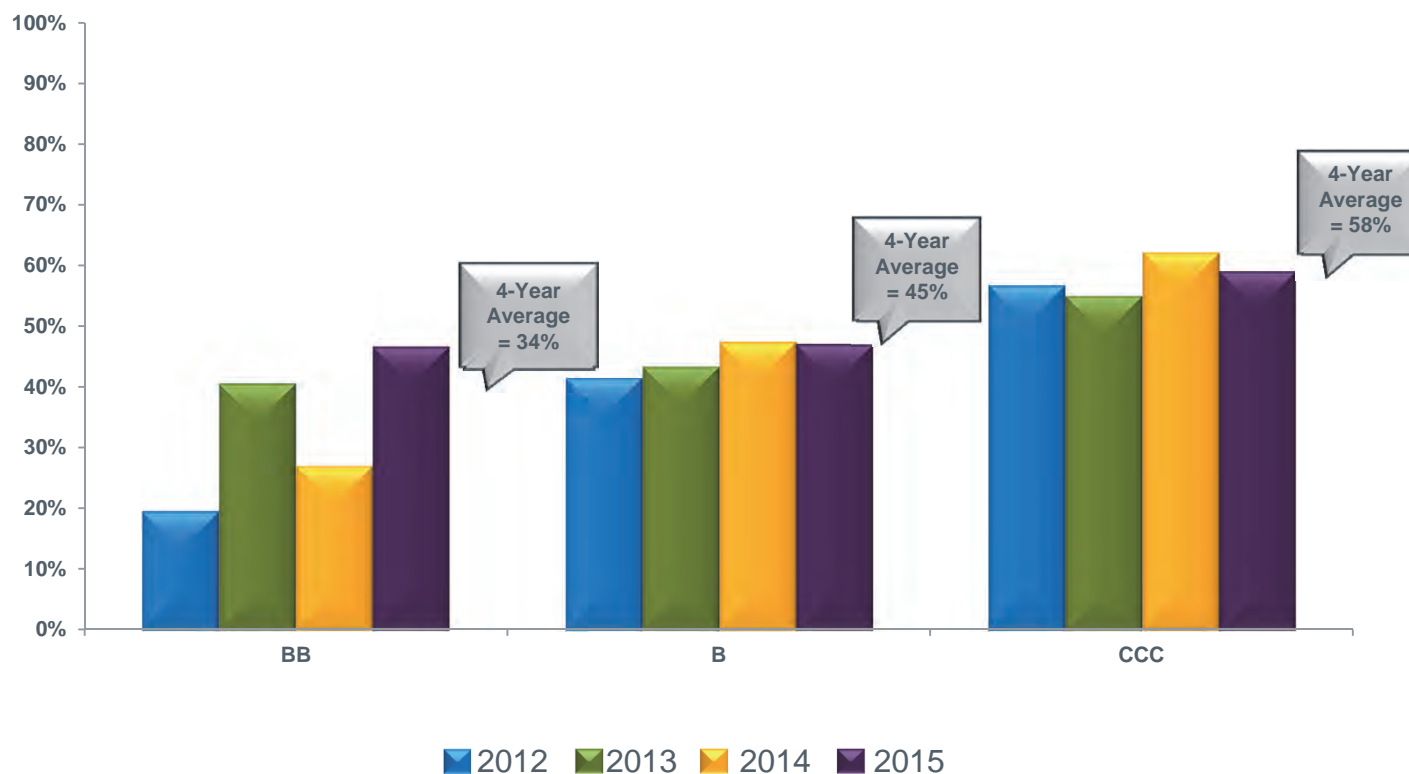
% of Deals with Basket



Excluded Contributions

% of Deals with Basket

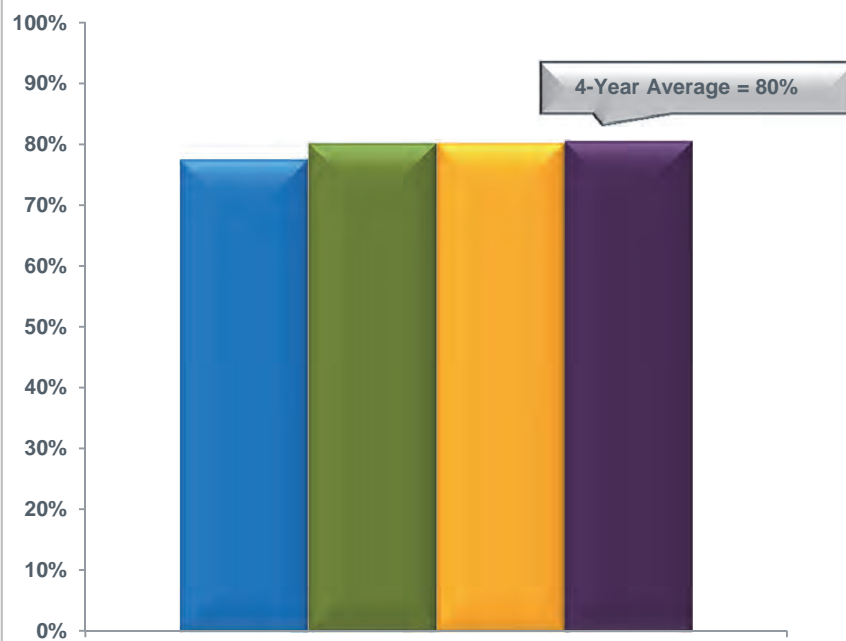
Ratings



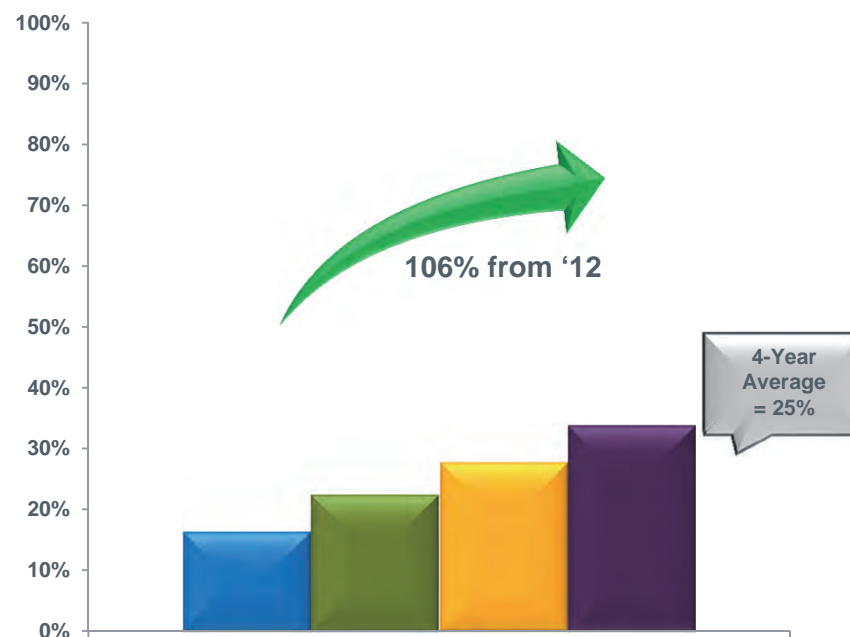
Excluded Contributions

% of Deals with Basket

Sponsor



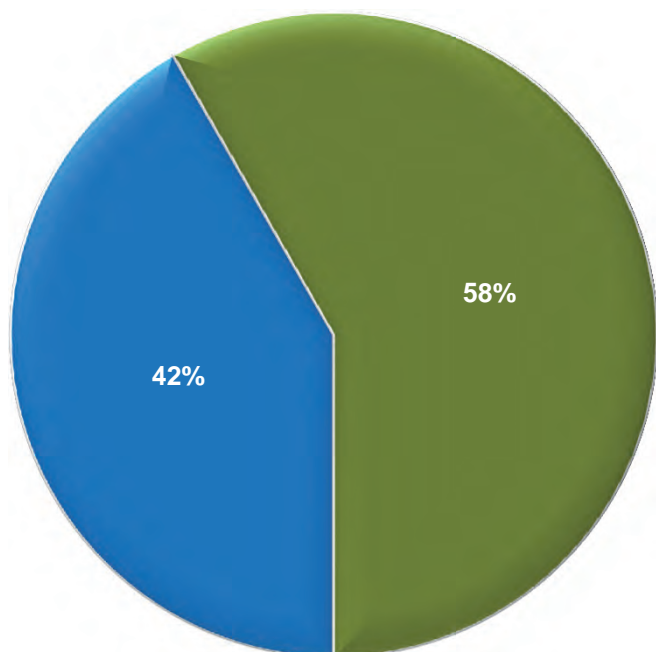
Non-Sponsor



■ 2012 ■ 2013 ■ 2014 ■ 2015

6% IPO Proceeds % of Deals

Global 2015



■ With Basket

■ Without Basket

Global

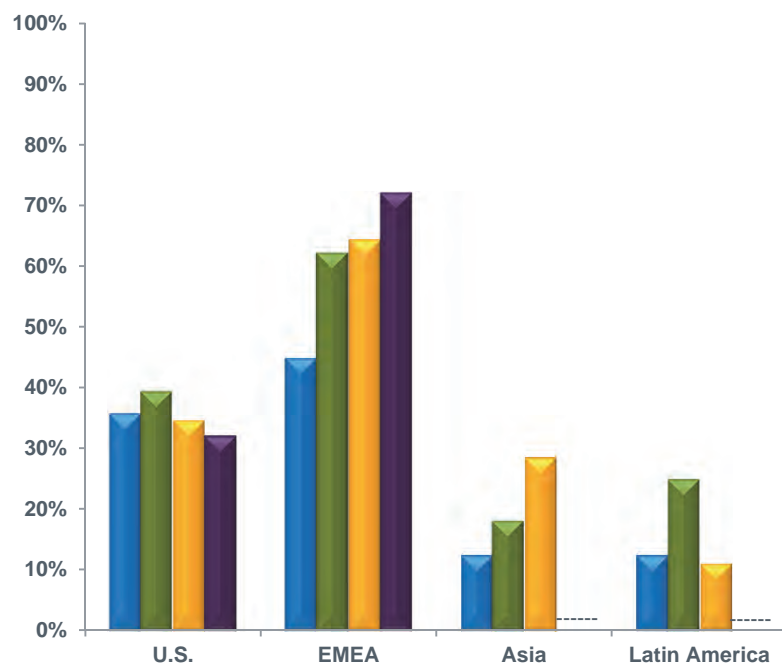
% of Deals with Basket



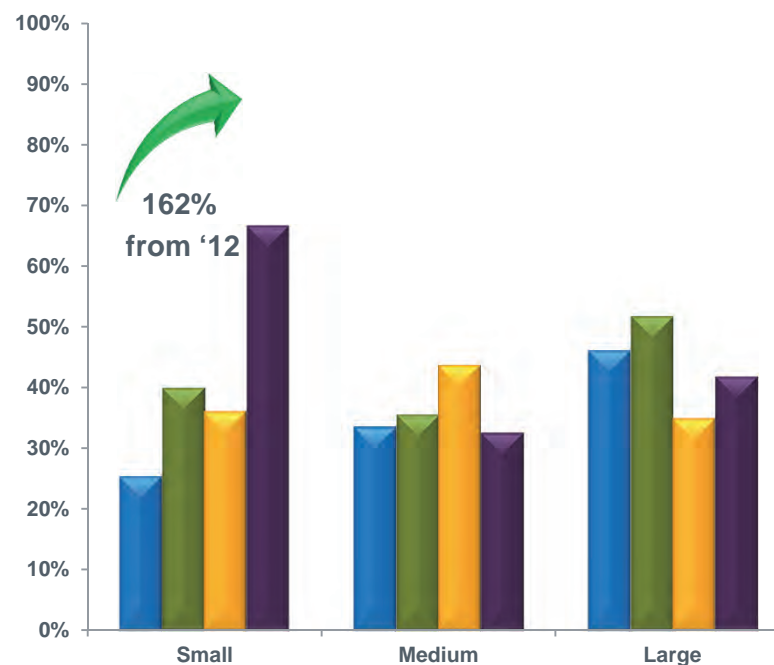
■ 2012 ■ 2013 ■ 2014 ■ 2015

6% IPO Proceeds % of Deals with Basket

Geography



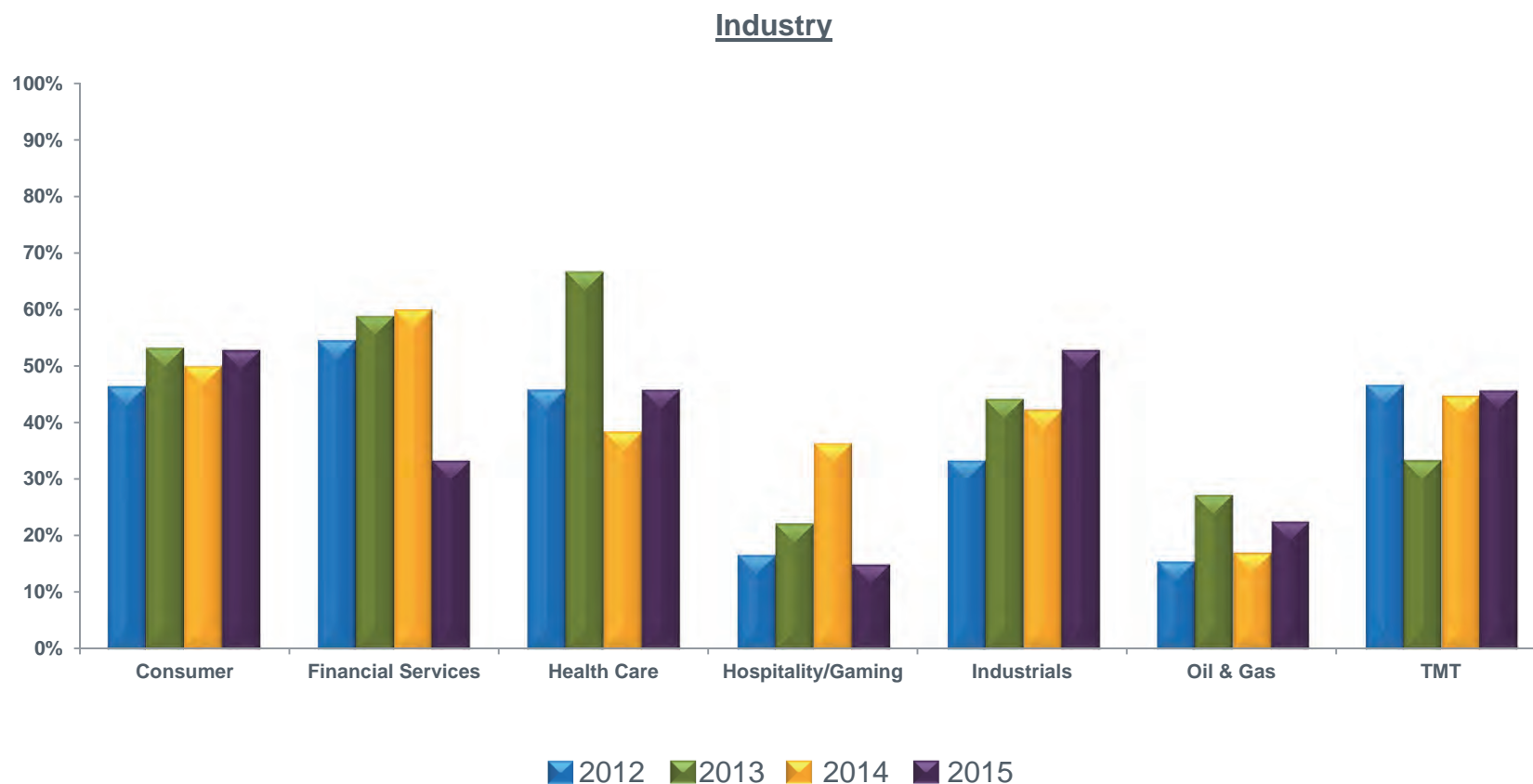
Deal Size



■ 2012 ■ 2013 ■ 2014 ■ 2015

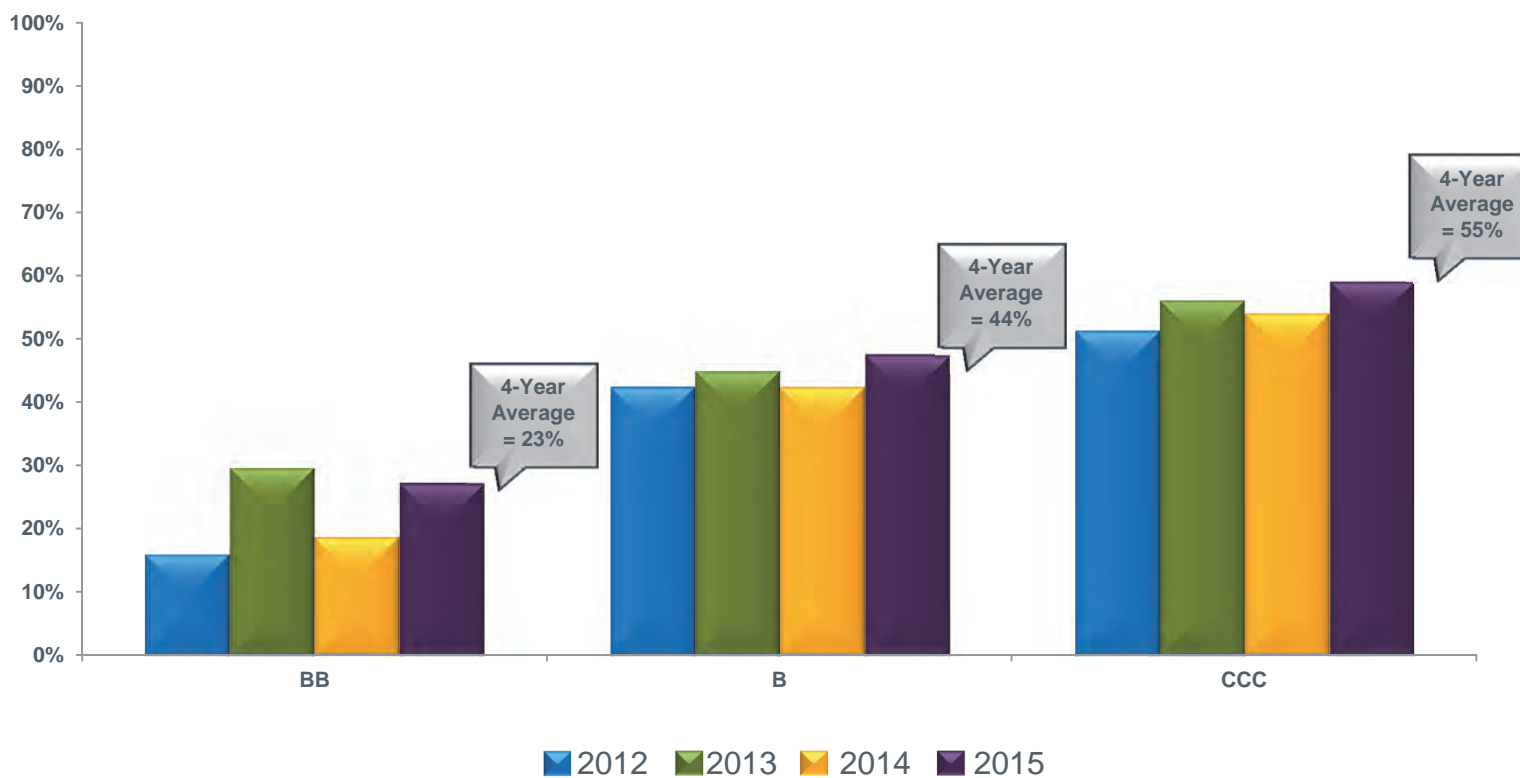
----- Indicates no reviewed deals contained term

6% IPO Proceeds % of Deals with Basket

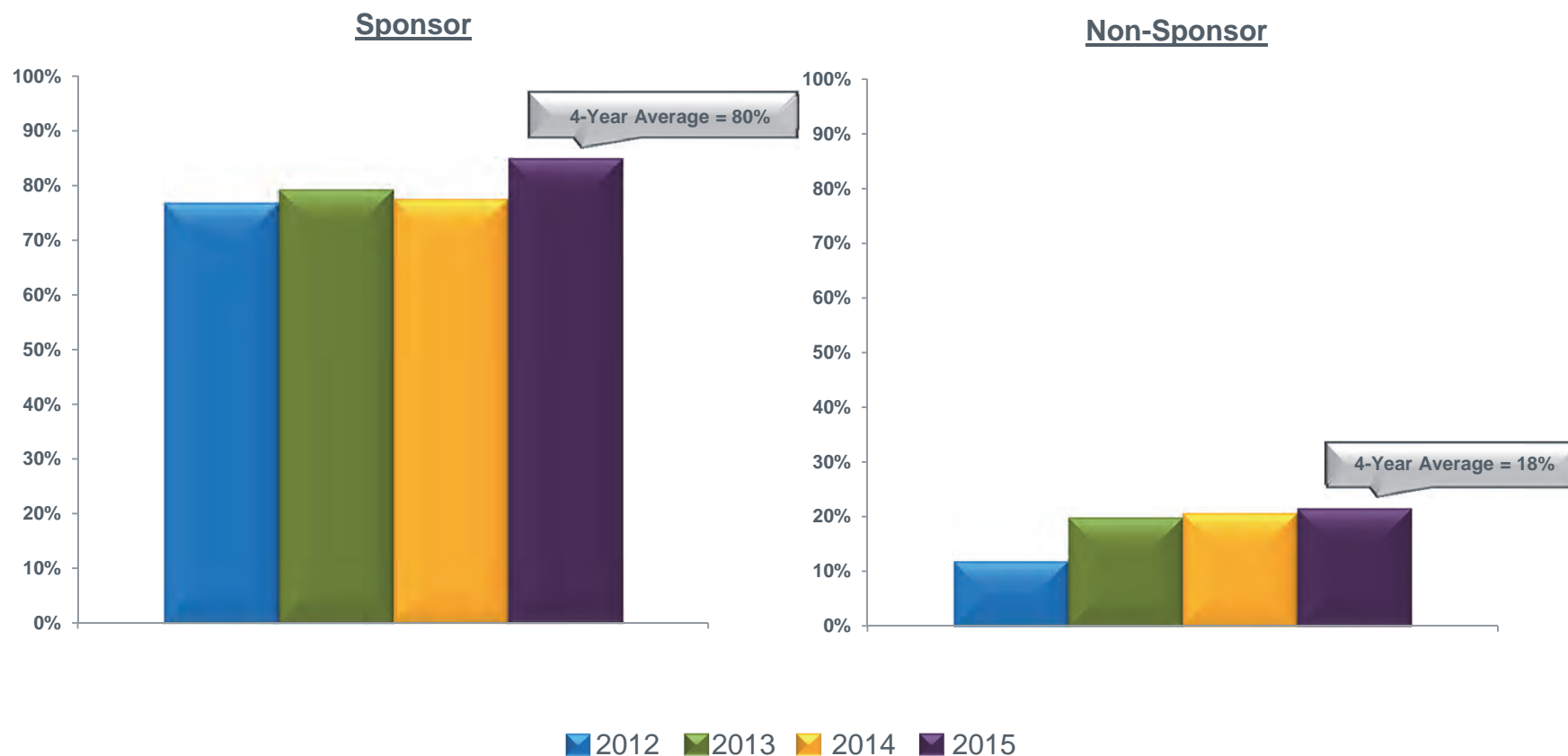


6% IPO Proceeds % of Deals with Basket

Ratings

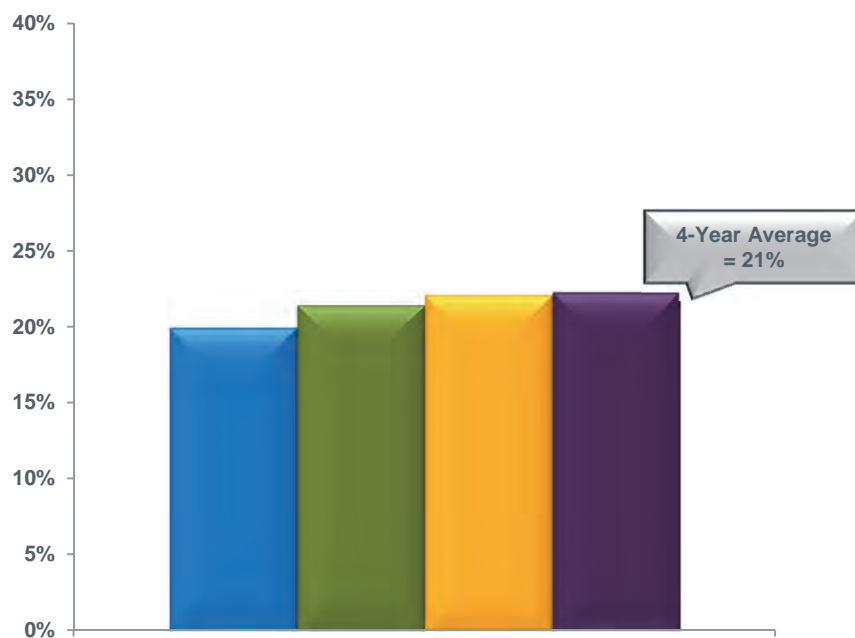
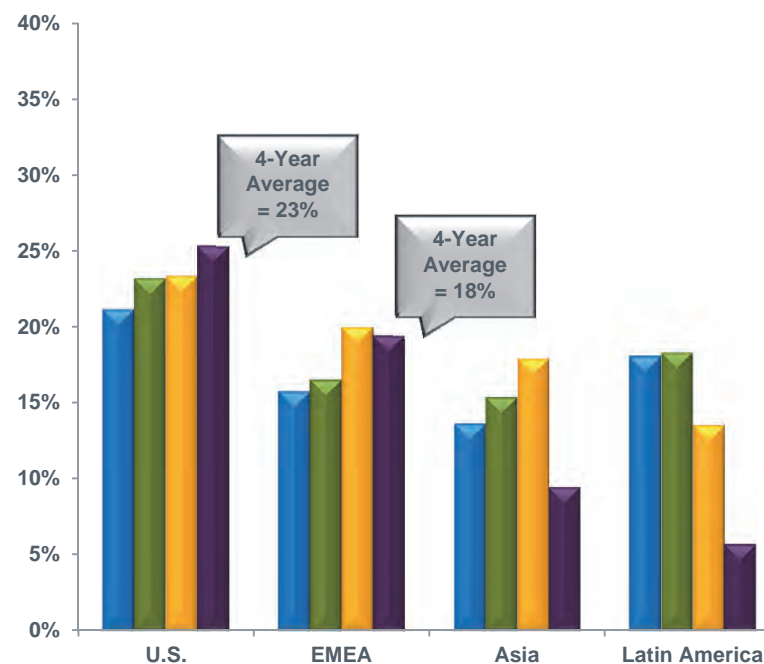


6% IPO Proceeds % of Deals with Basket



Restricted Payments General Basket

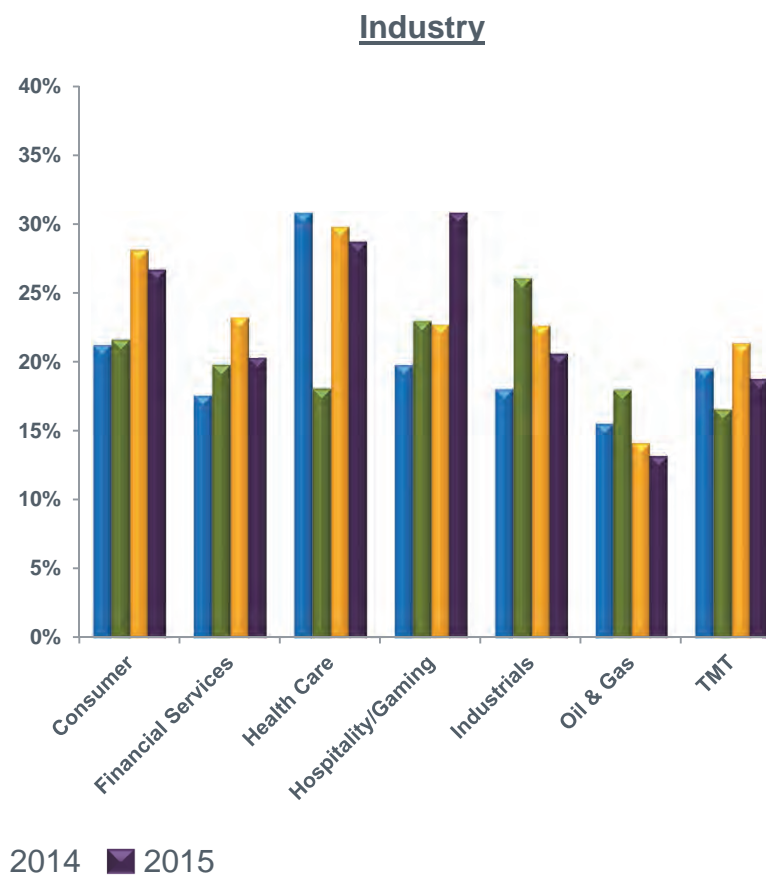
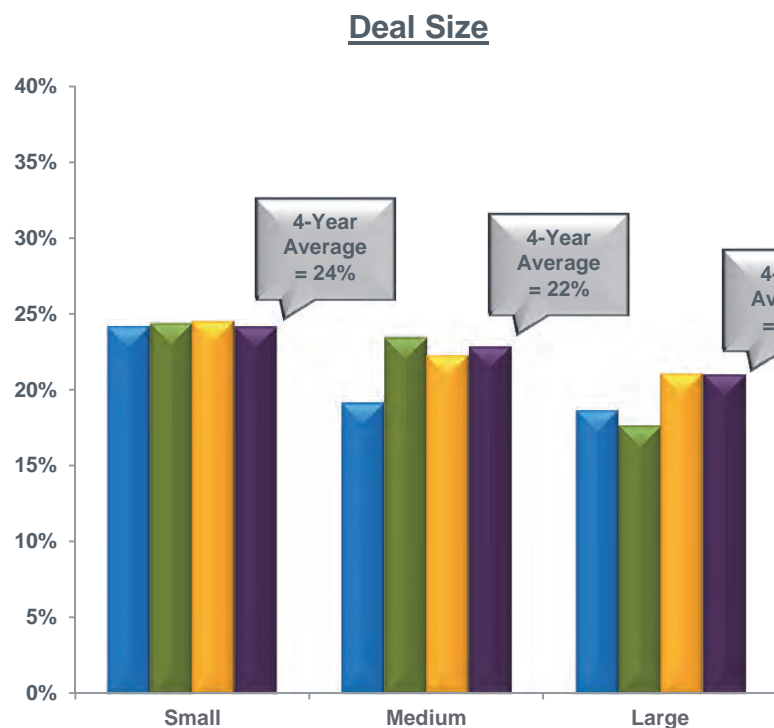
% of Issuer's EBITDA

GlobalGeography

■ 2012 ■ 2013 ■ 2014 ■ 2015

Restricted Payments General Basket

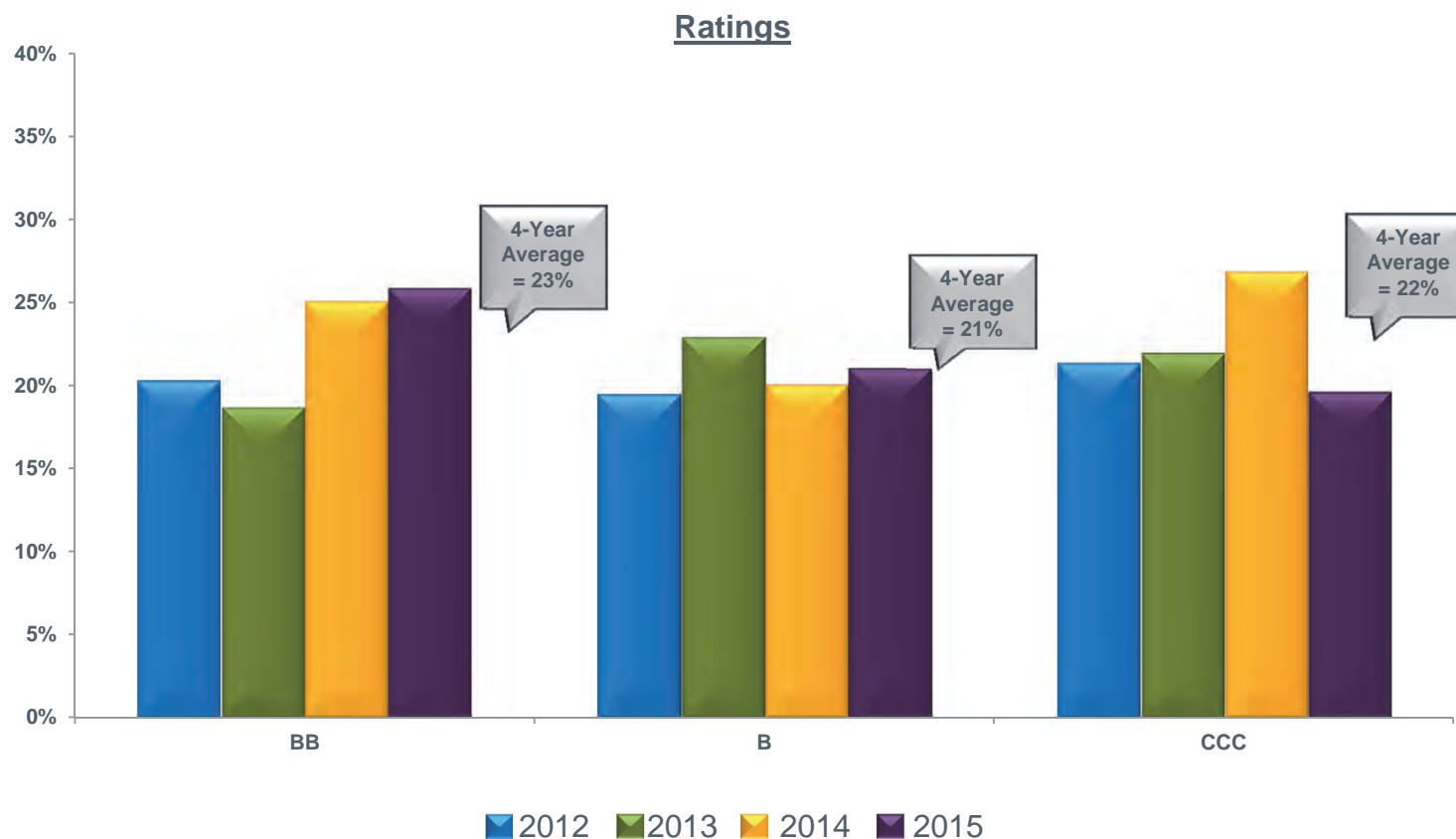
% of Issuer's EBITDA



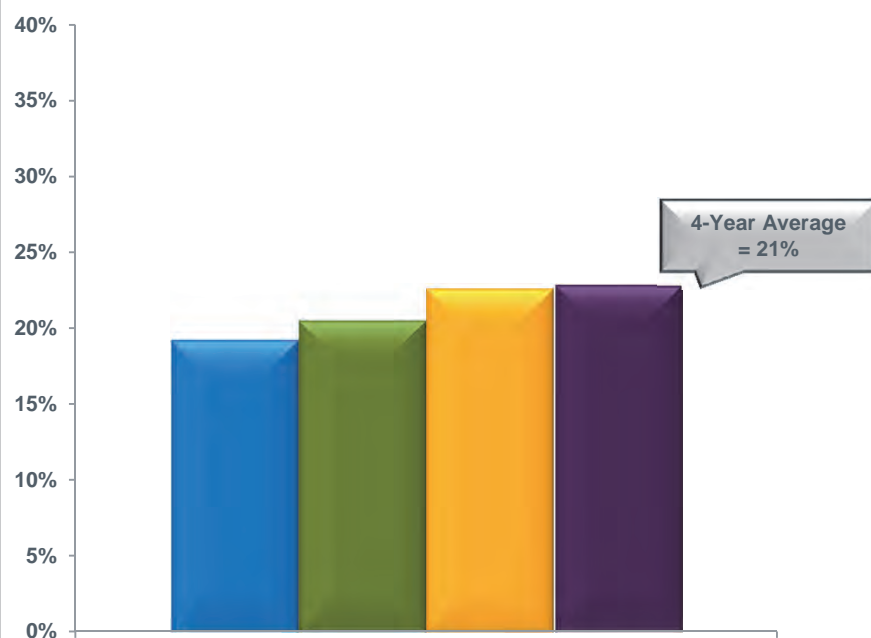
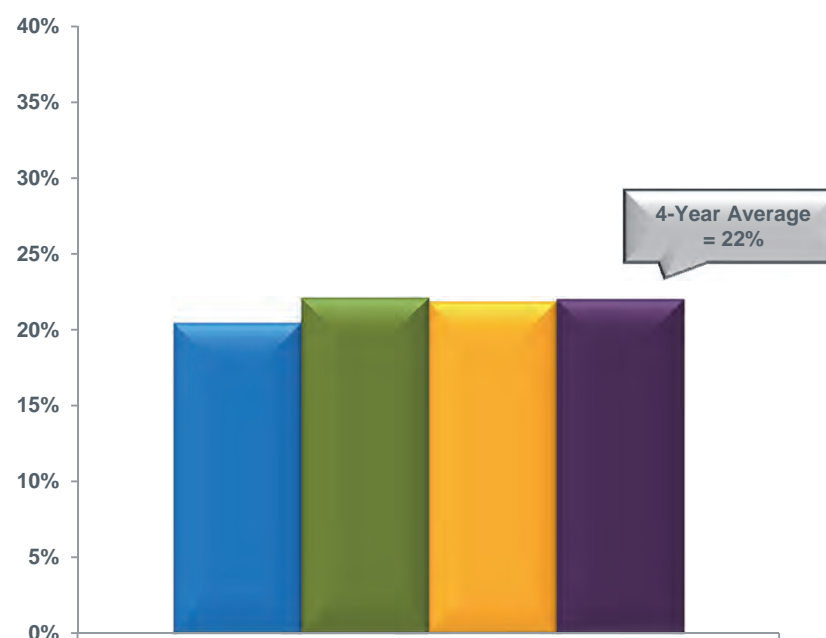
■ 2012 ■ 2013 ■ 2014 ■ 2015

Restricted Payments General Basket

% of Issuer's EBITDA



Restricted Payments General Basket % of Issuer's EBITDA

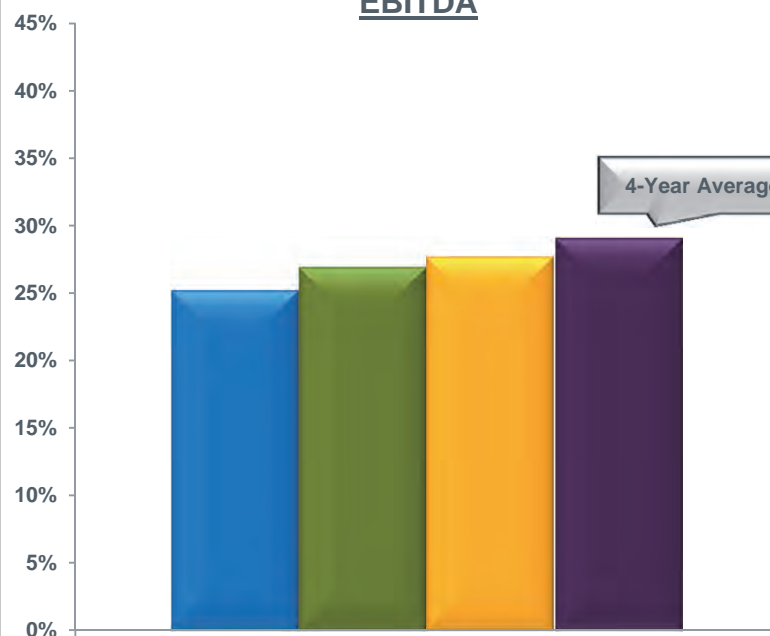
SponsorNon-Sponsor

■ 2012 ■ 2013 ■ 2014 ■ 2015

Permitted Investments General Basket

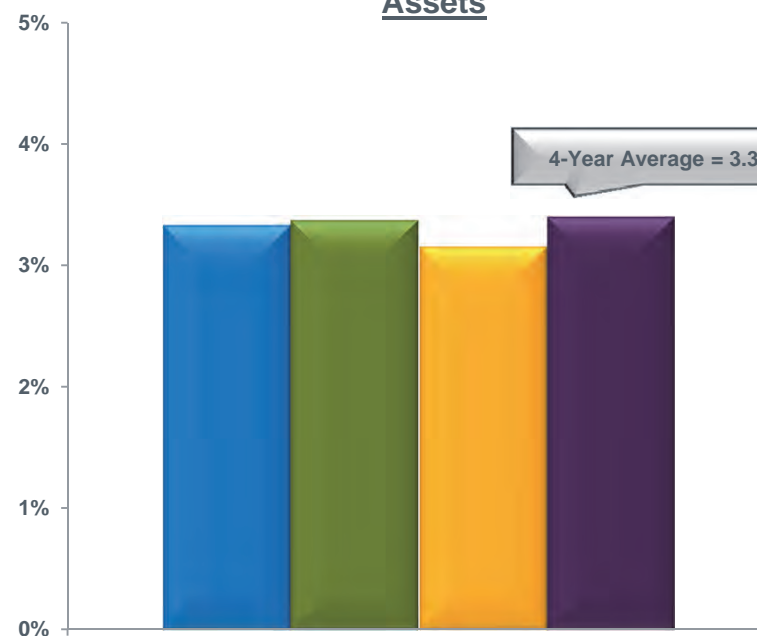
Global Analysis

**% of Issuer's
EBITDA**



4-Year Average = 27%

**% of Issuer's
Assets**

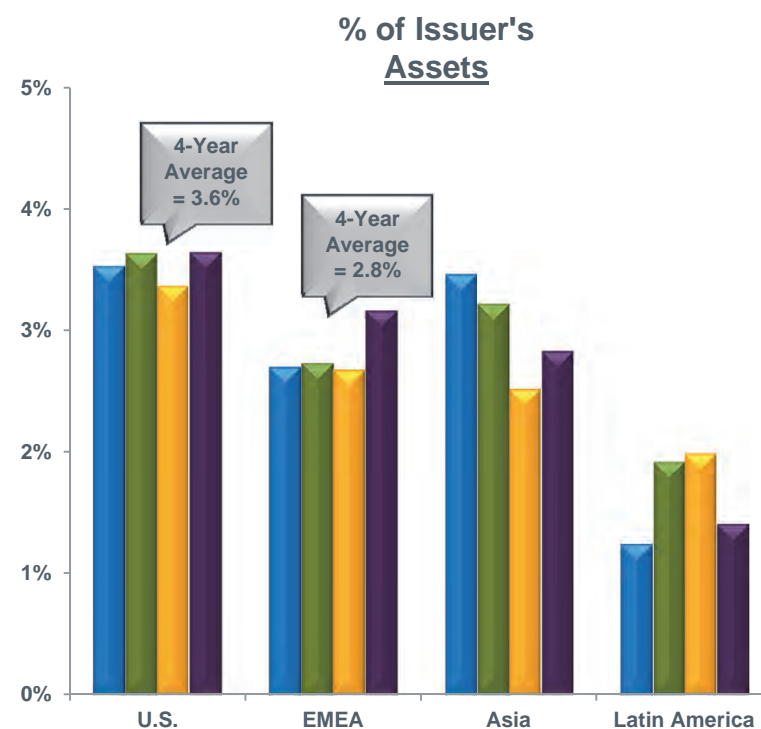
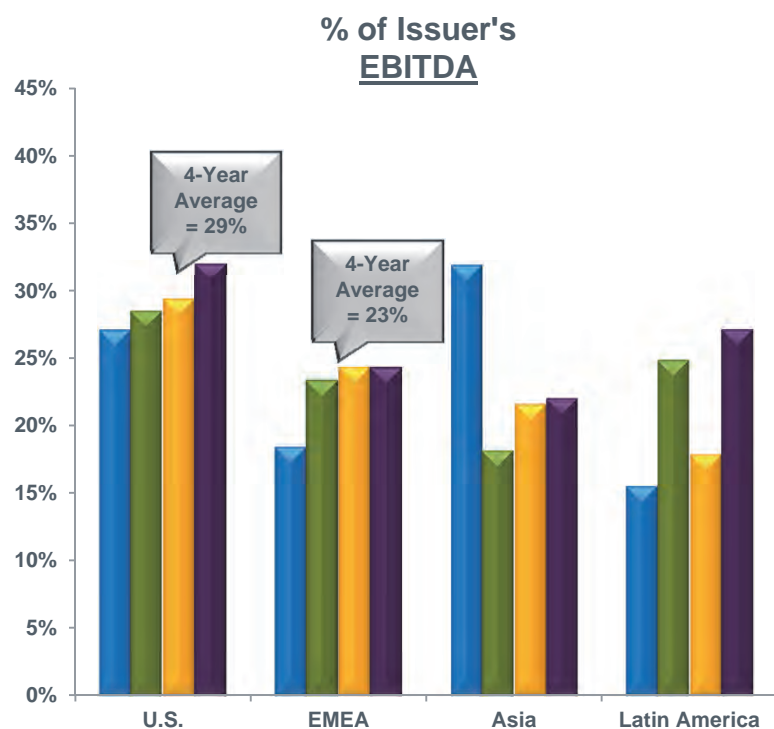


4-Year Average = 3.3%

■ 2012 ■ 2013 ■ 2014 ■ 2015

Permitted Investments General Basket

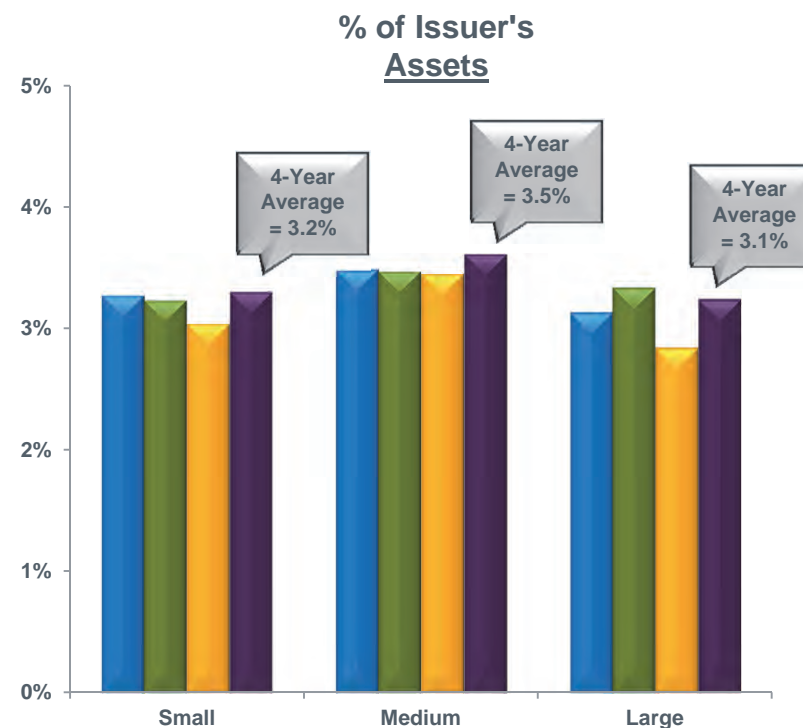
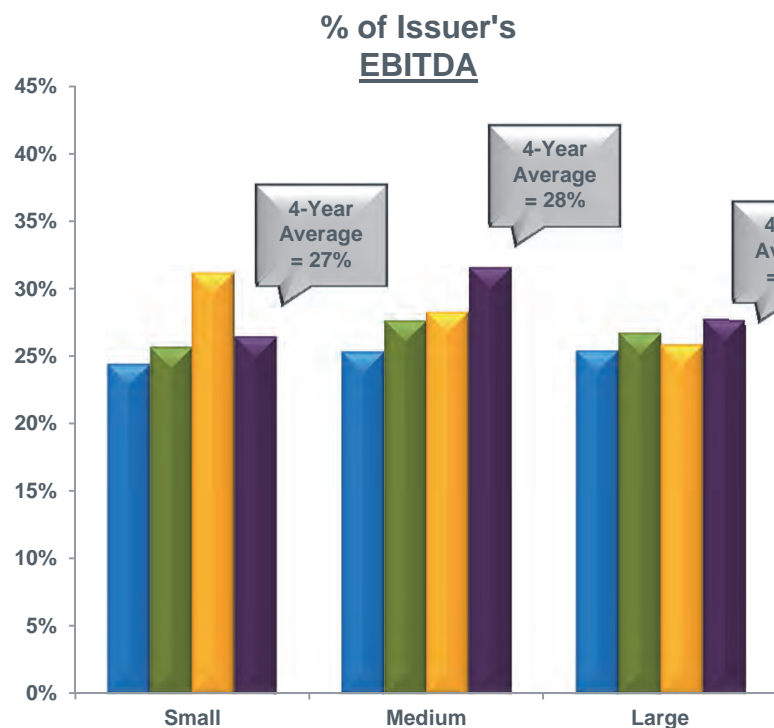
Geographic Breakdown



■ 2012 ■ 2013 ■ 2014 ■ 2015

Permitted Investments General Basket

Deal Size Breakdown

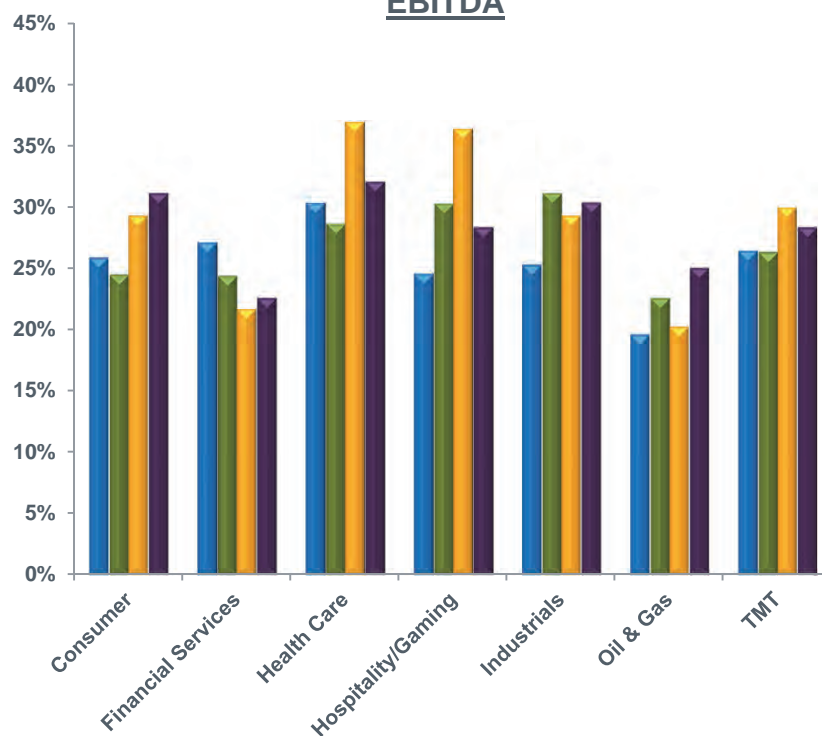


■ 2012 ■ 2013 ■ 2014 ■ 2015

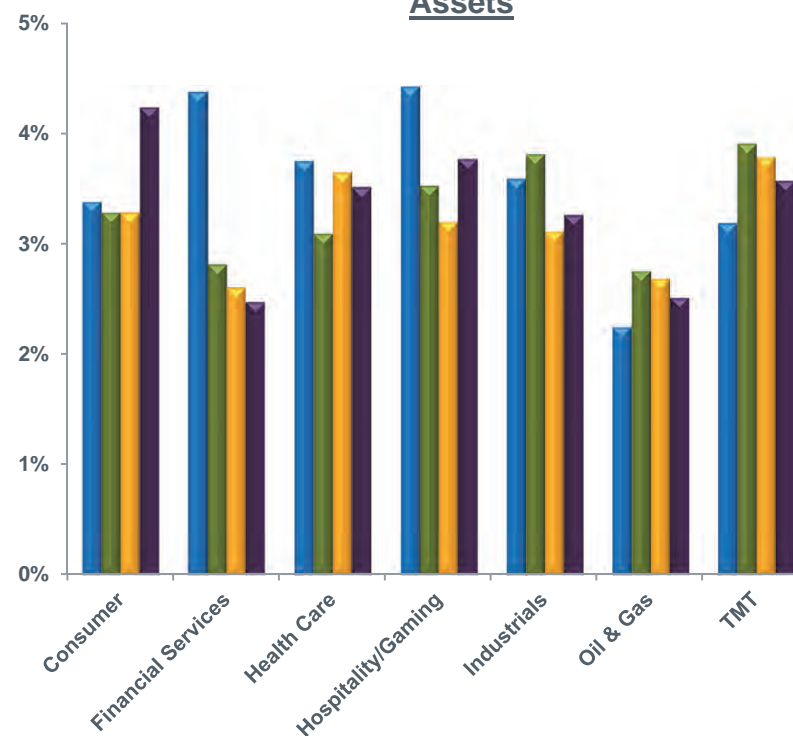
Permitted Investments General Basket

Industry Breakdown

% of Issuer's
EBITDA



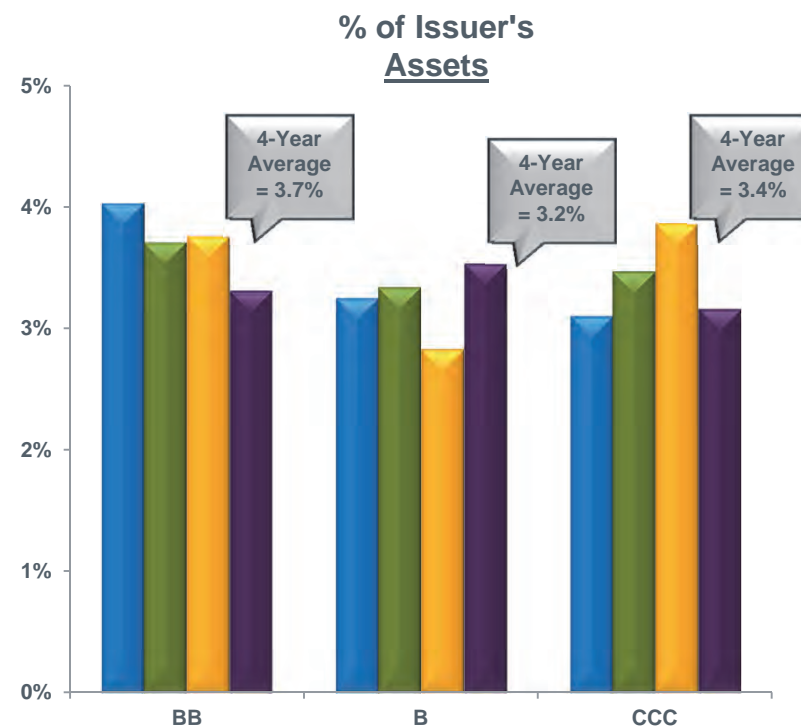
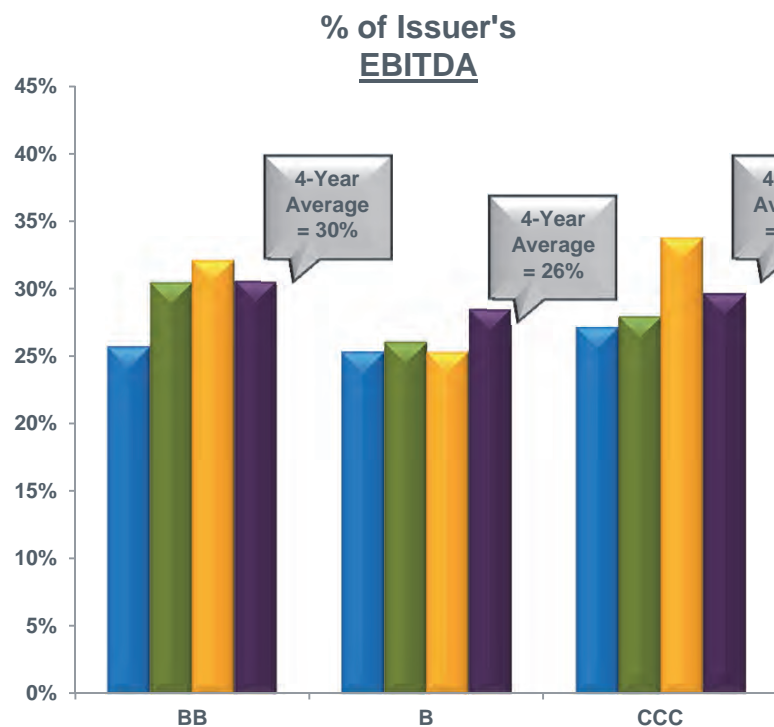
% of Issuer's
Assets



■ 2012 ■ 2013 ■ 2014 ■ 2015

Permitted Investments General Basket

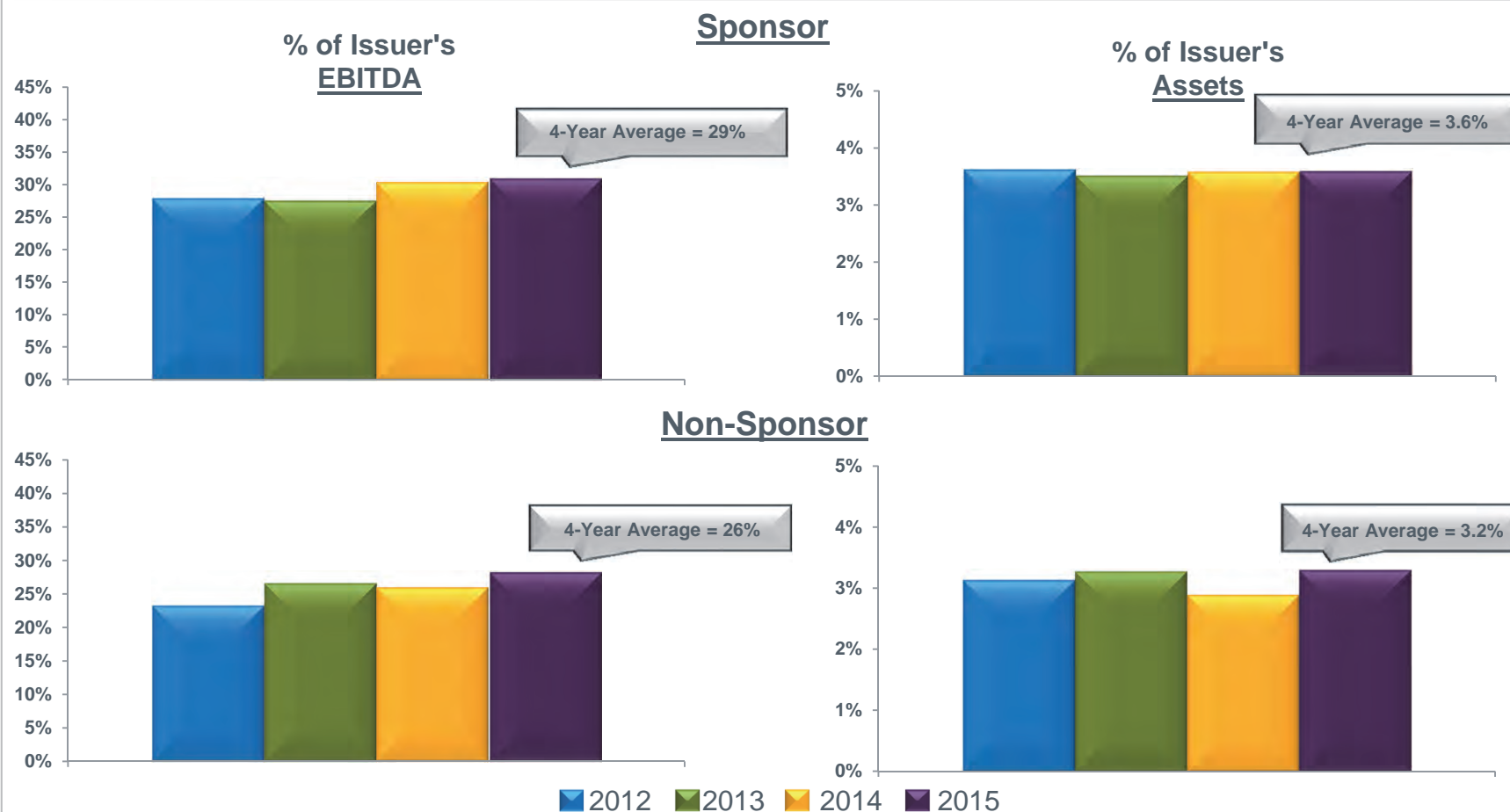
Ratings Breakdown



■ 2012 ■ 2013 ■ 2014 ■ 2015

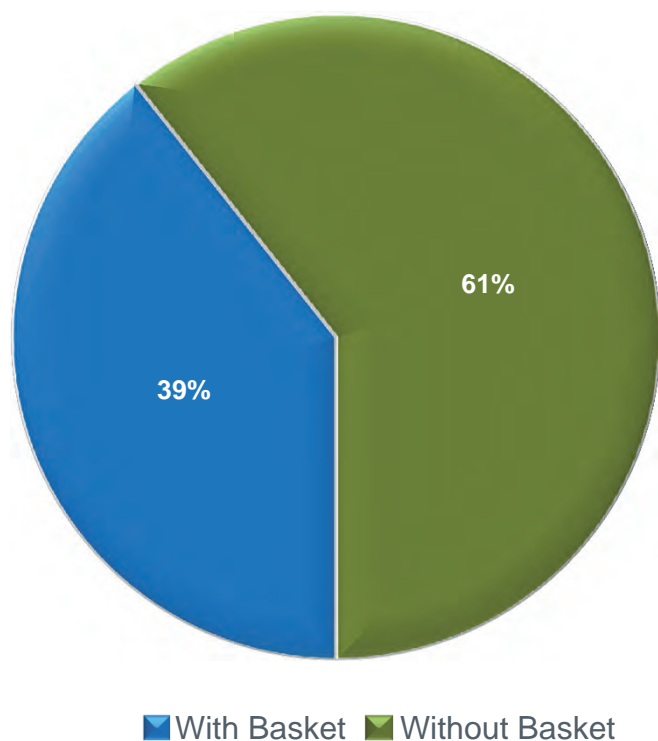
Permitted Investments General Basket

Sponsor Breakdown

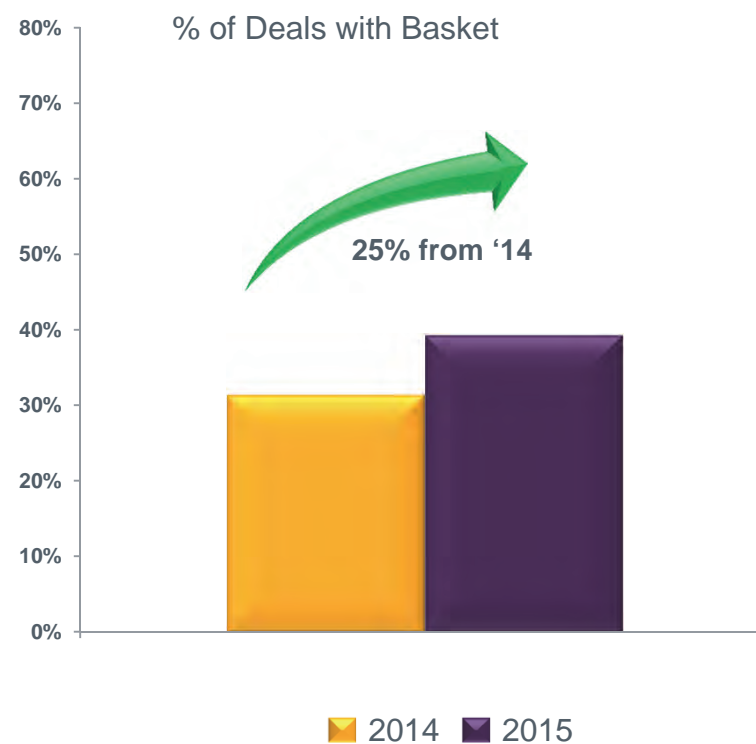


Unlimited Leverage-Based Restricted Payments % of Deals

Global 2015



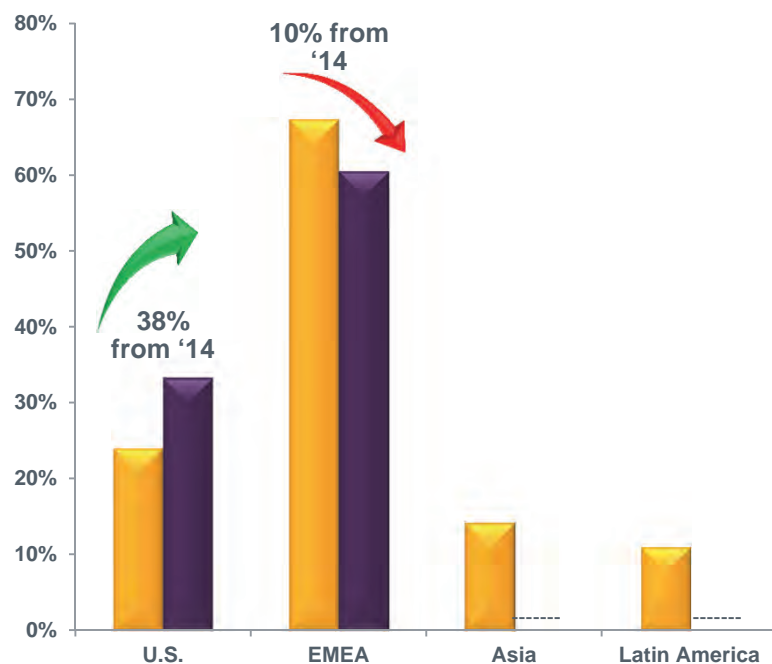
Global



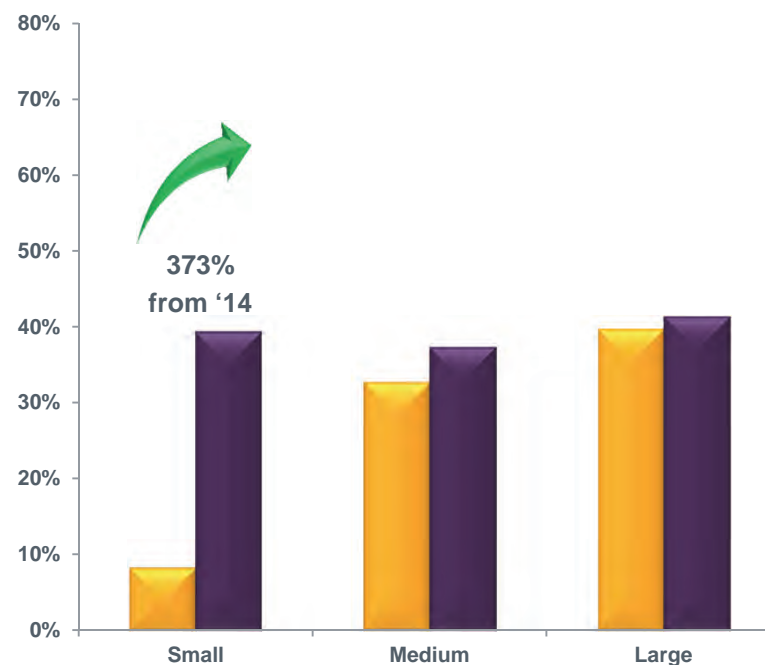
Unlimited Leverage-Based Restricted Payments

% of Deals with Basket

Geography



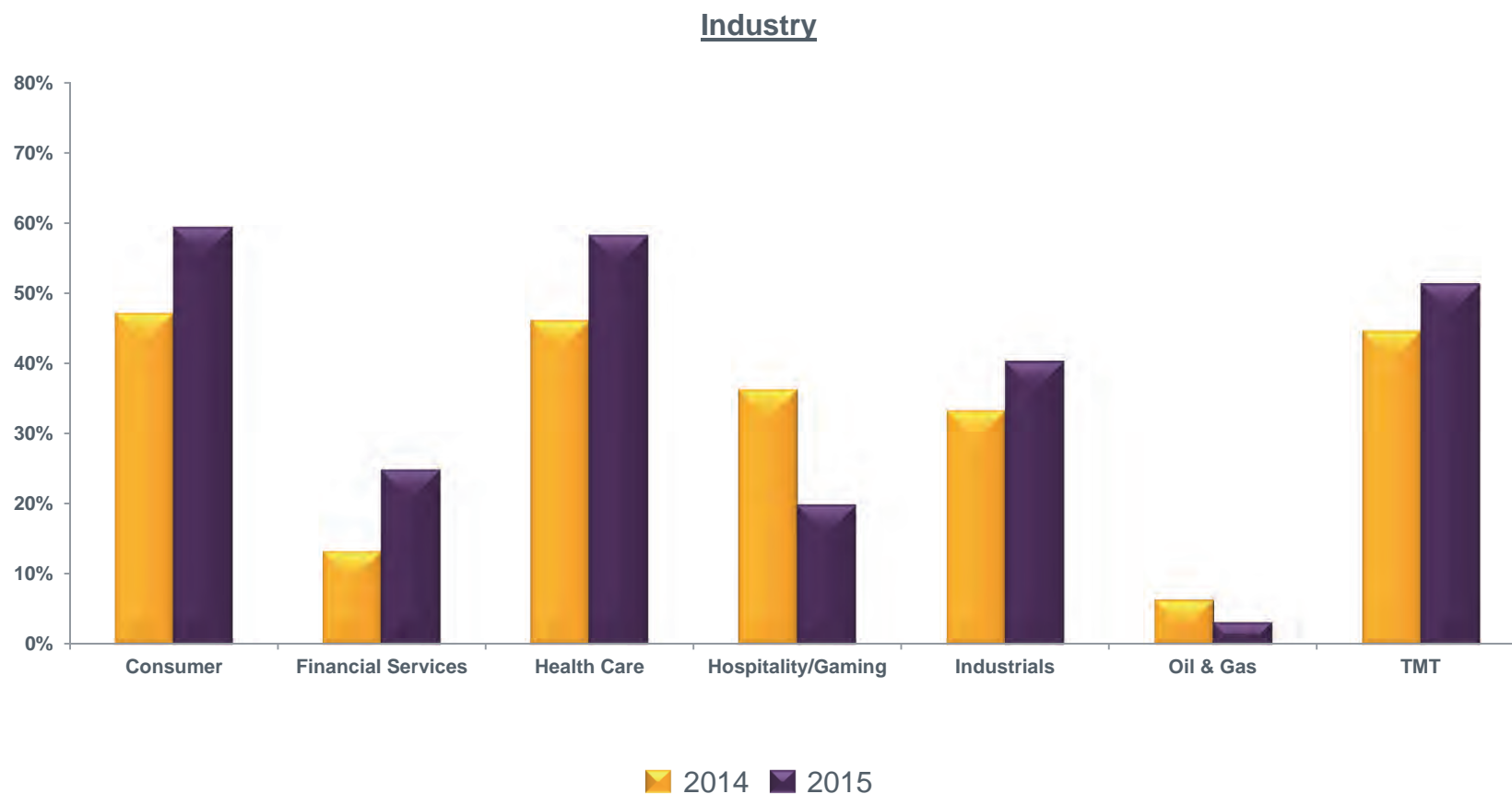
Deal Size



2014 2015

----- Indicates no reviewed deals contained term

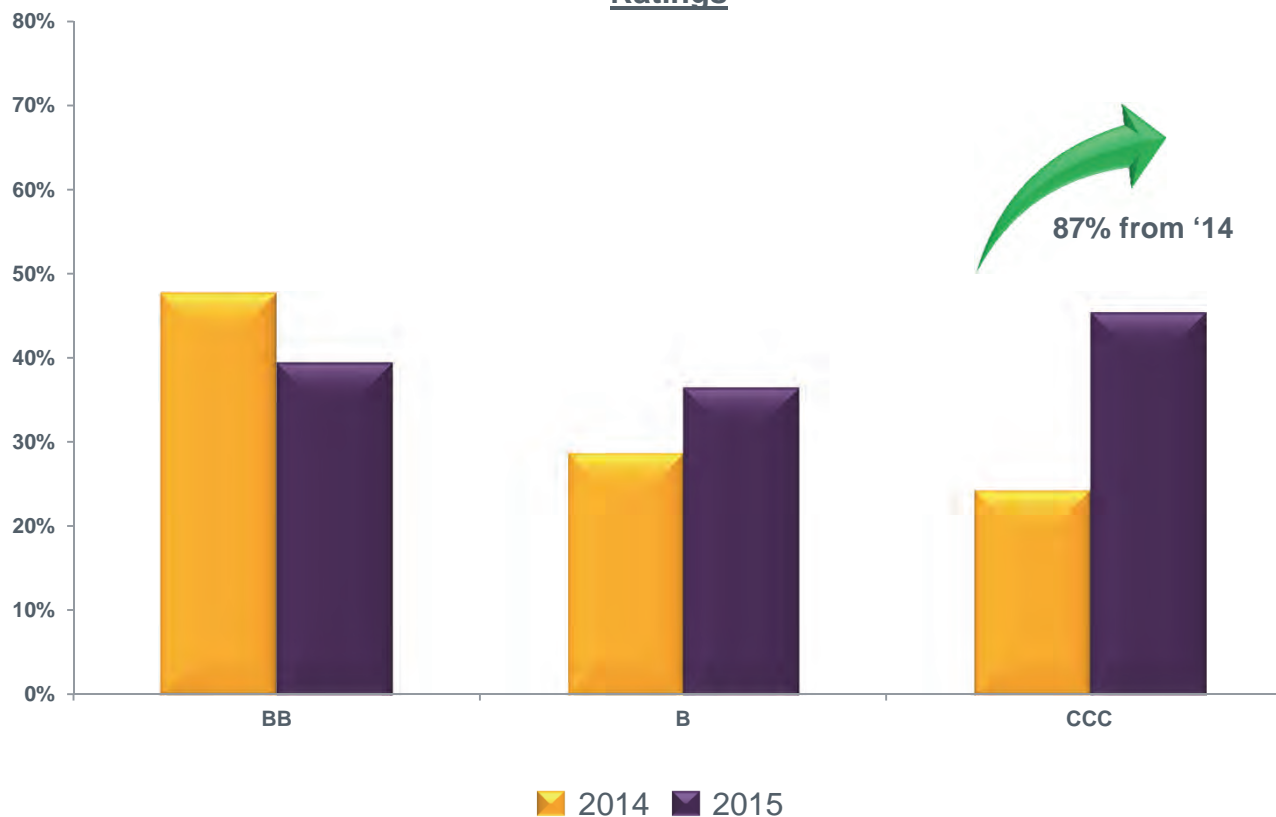
Unlimited Leverage-Based Restricted Payments % of Deals with Basket



Unlimited Leverage-Based Restricted Payments

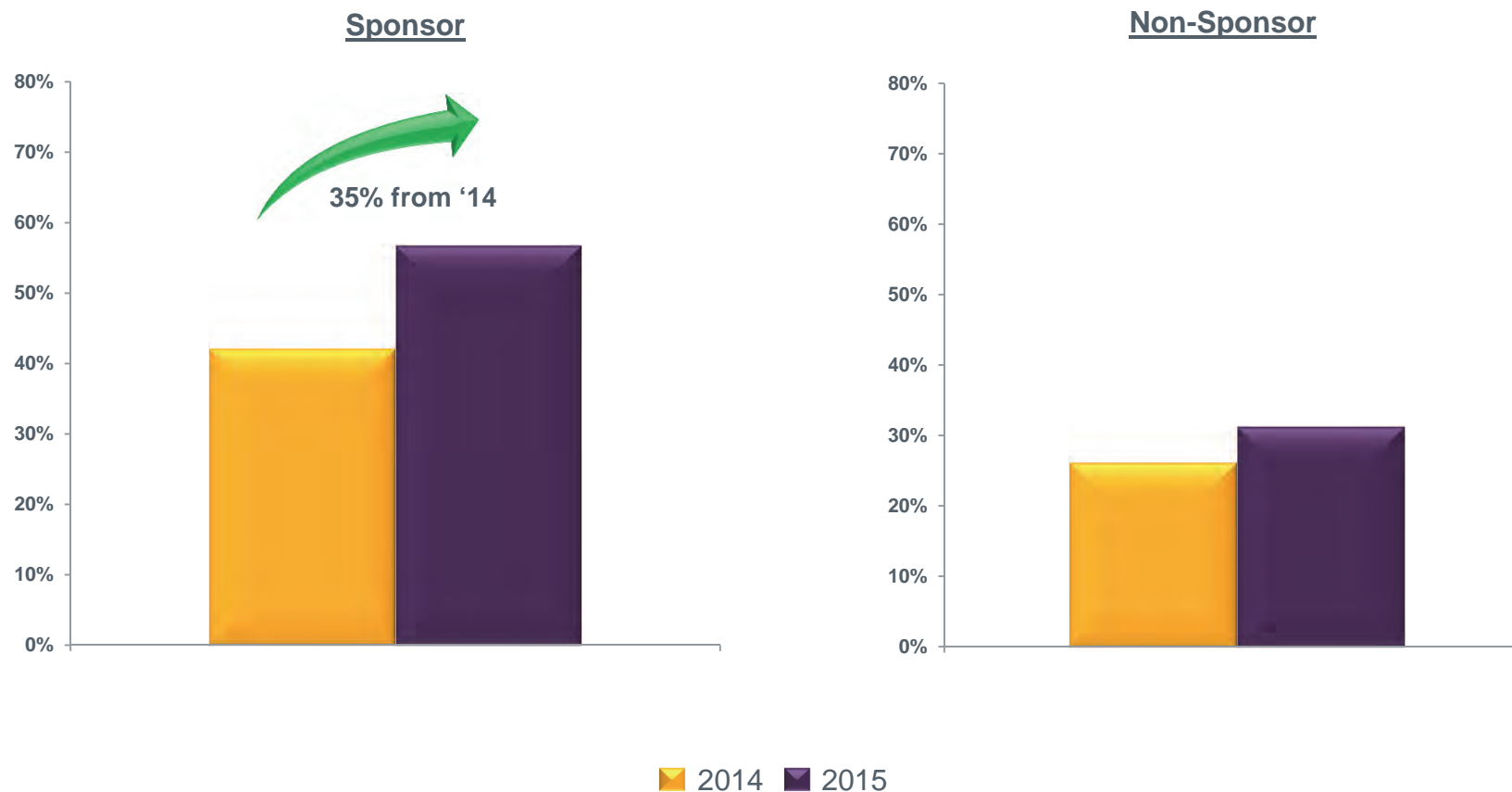
% of Deals with Basket

Ratings



Unlimited Leverage-Based Restricted Payments

% of Deals with Basket

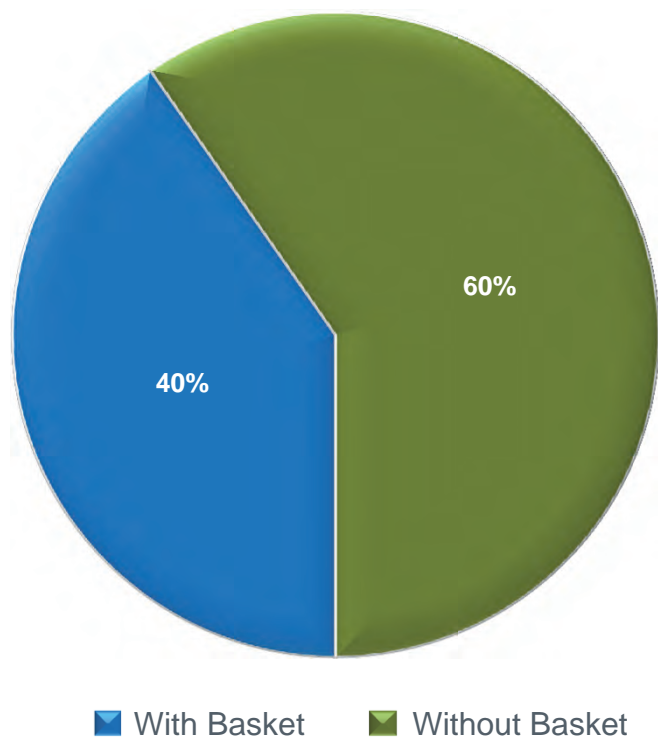




Liens

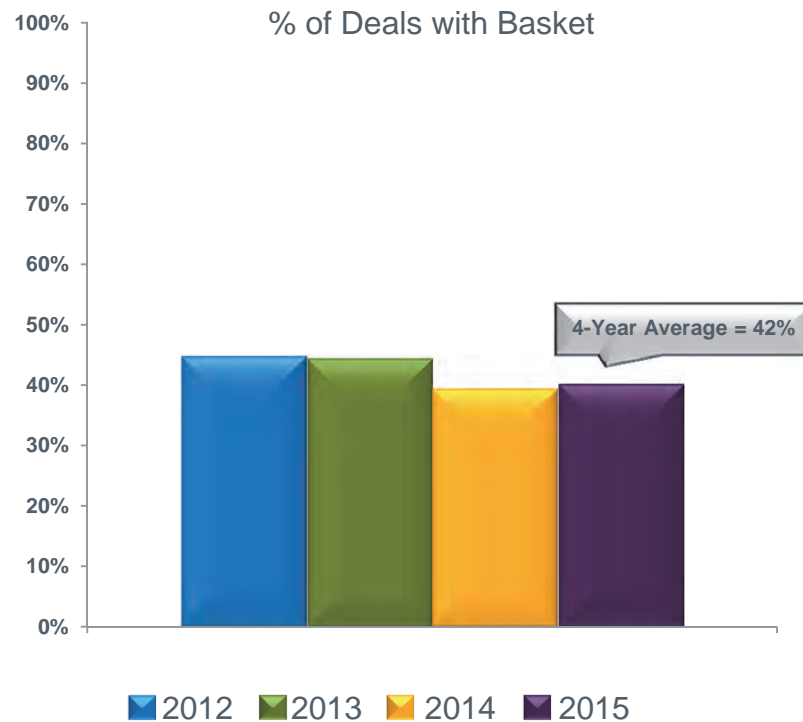
Secured Leverage Grows % of Deals

Global 2015



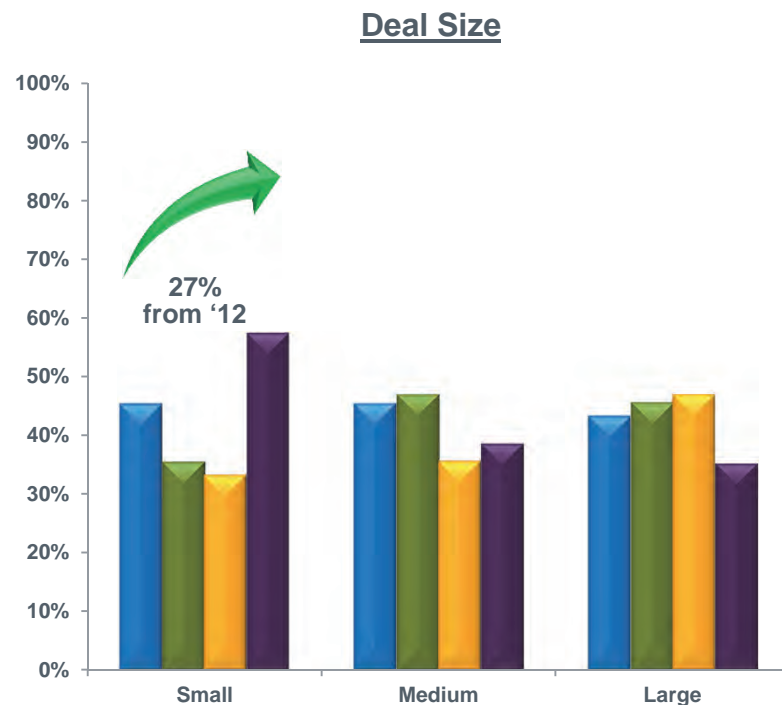
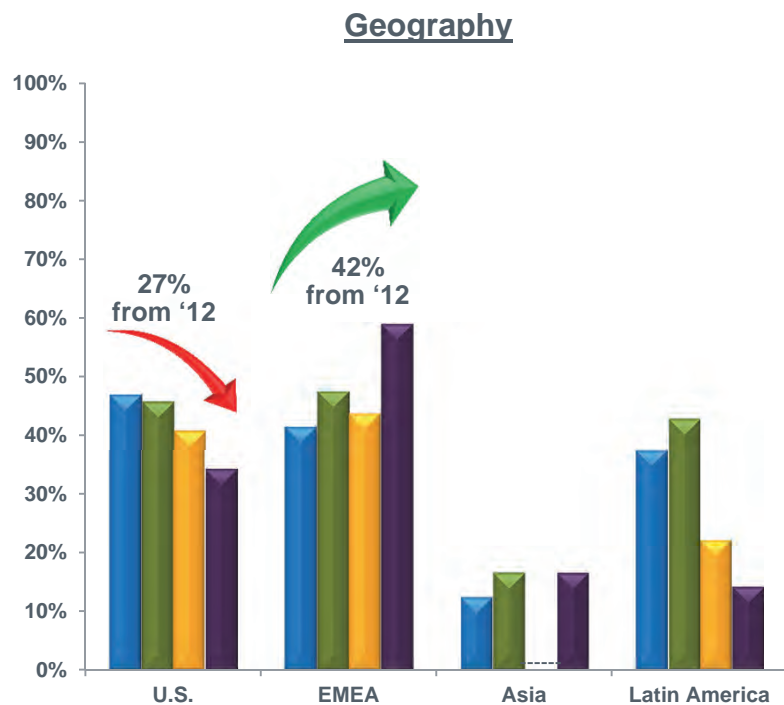
Global

% of Deals with Basket



Secured Leverage Grower

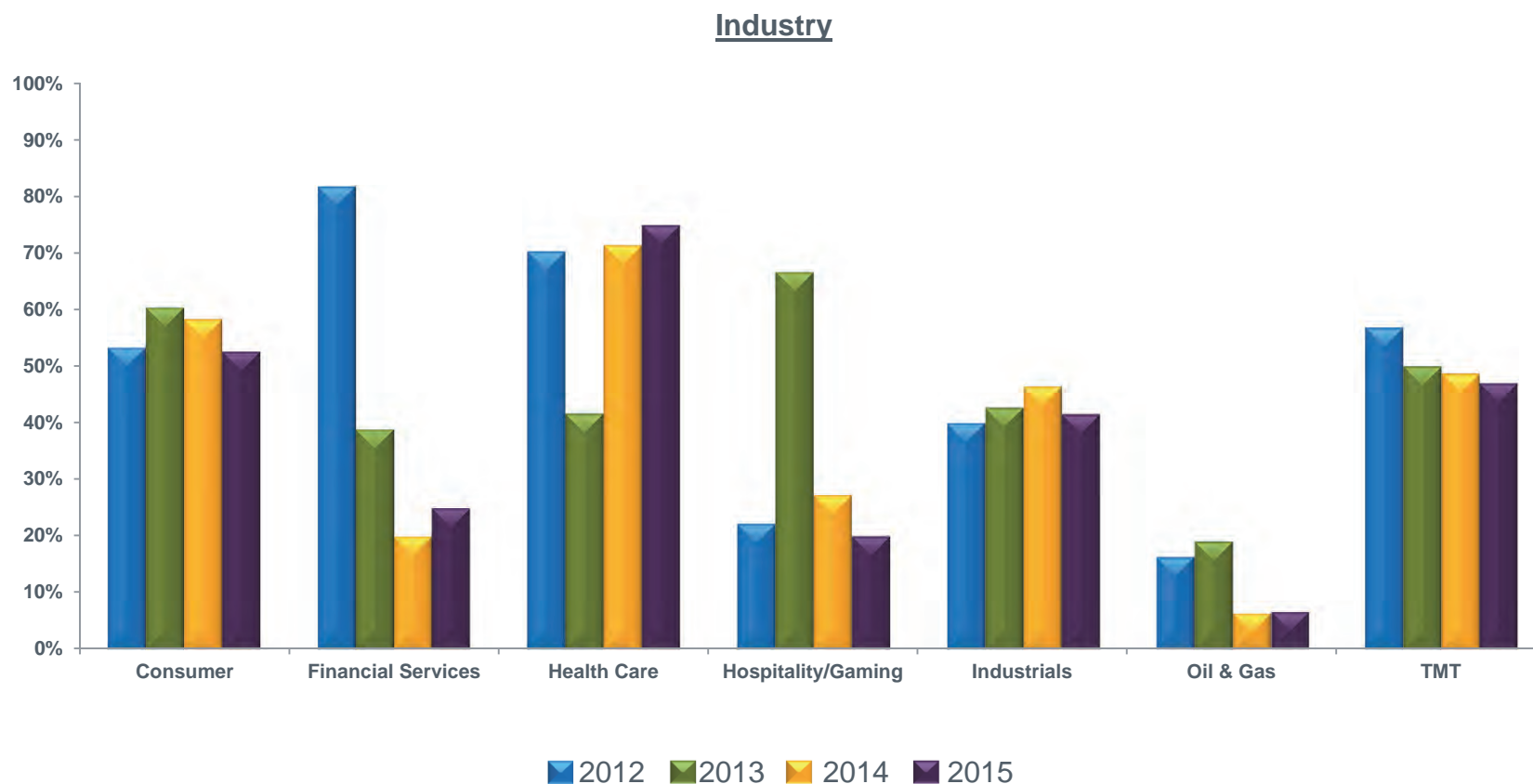
% of Deals with Basket



■ 2012 ■ 2013 ■ 2014 ■ 2015

----- Indicates no reviewed deals contained term

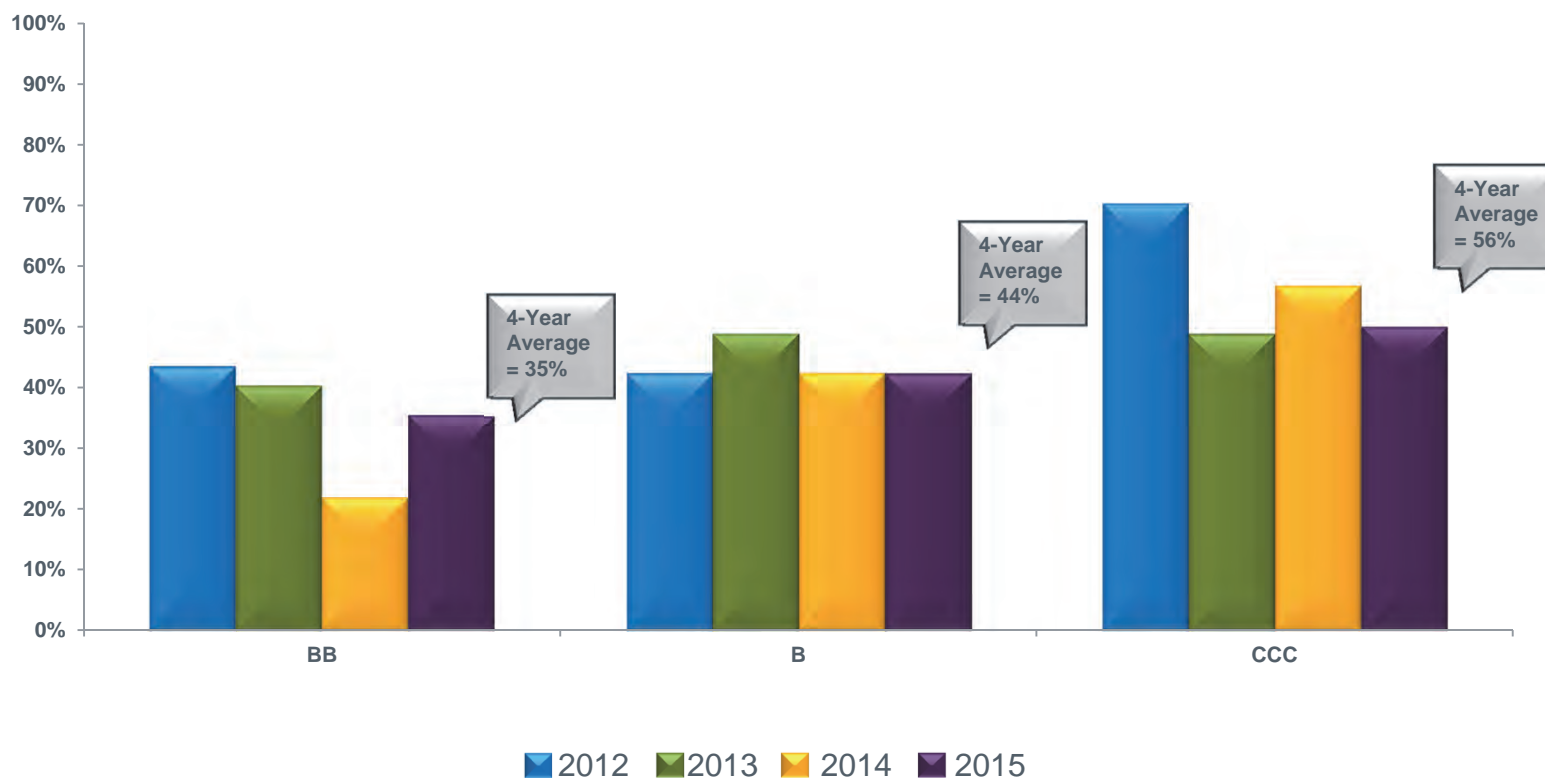
Secured Leverage Grows % of Deals with Basket



Secured Leverage Grows

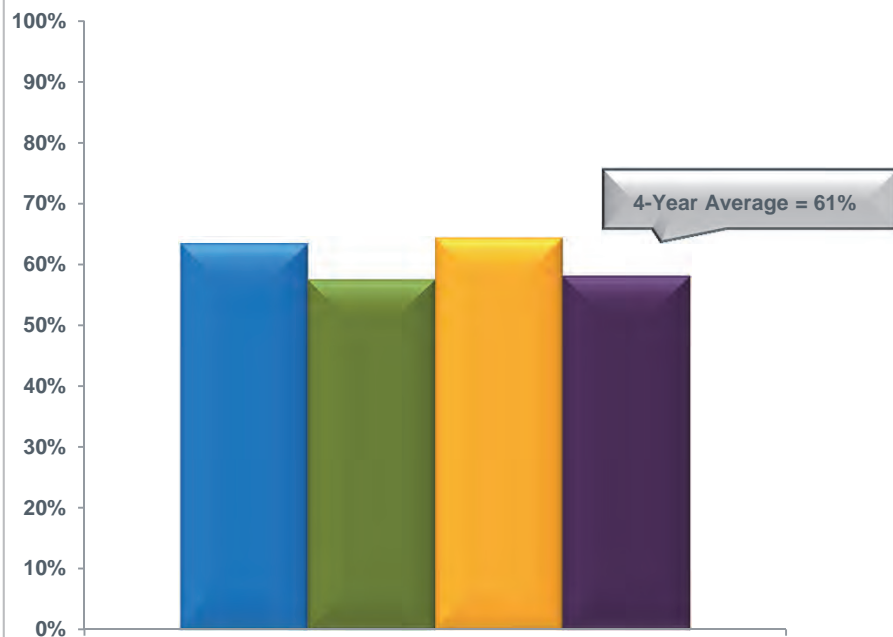
% of Deals with Basket

Ratings

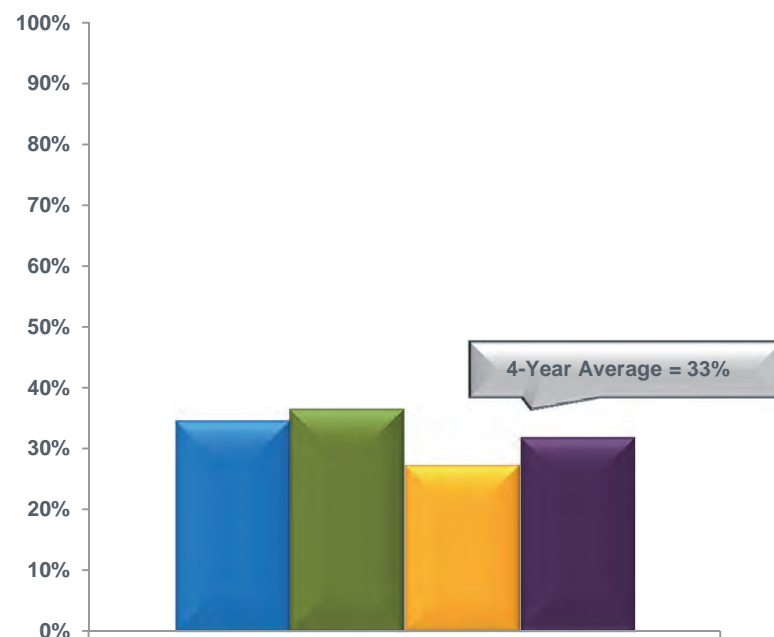


Secured Leverage Grower % of Deals with Basket

Sponsor

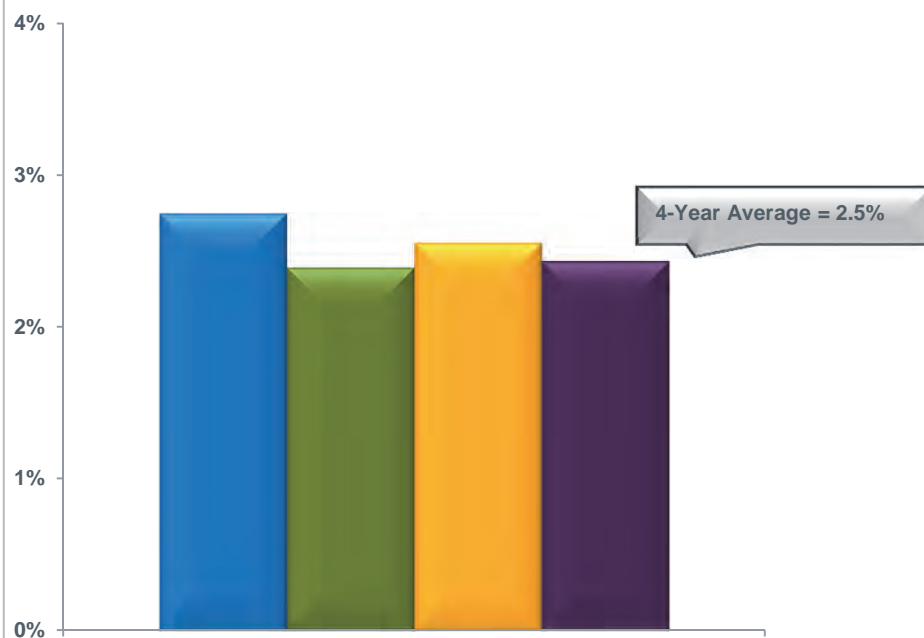
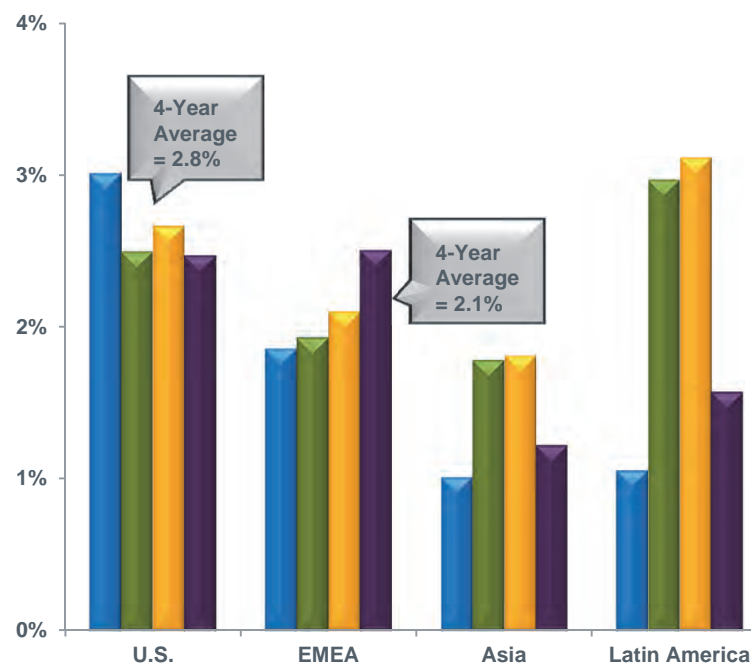


Non-Sponsor



■ 2012 ■ 2013 ■ 2014 ■ 2015

General Permitted Lien Basket % of Total Assets

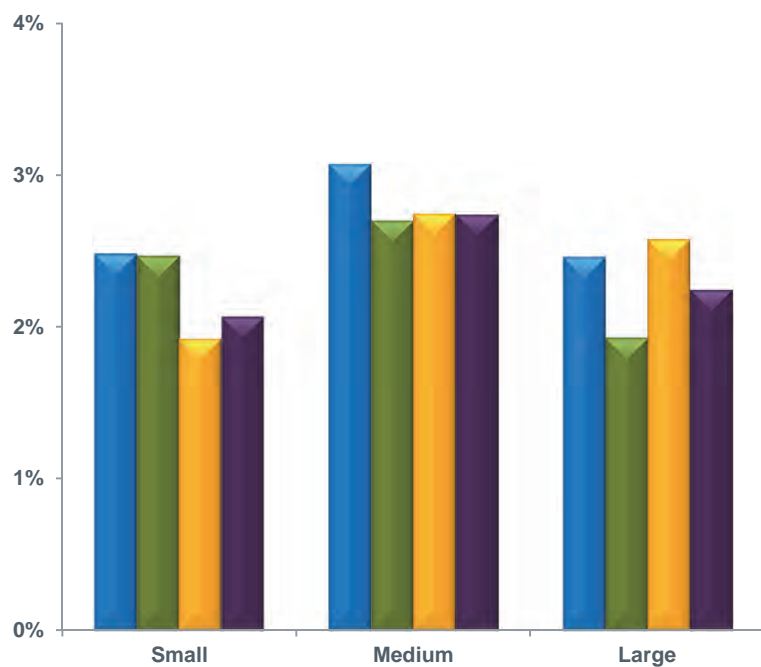
GlobalGeography

■ 2012 ■ 2013 ■ 2014 ■ 2015

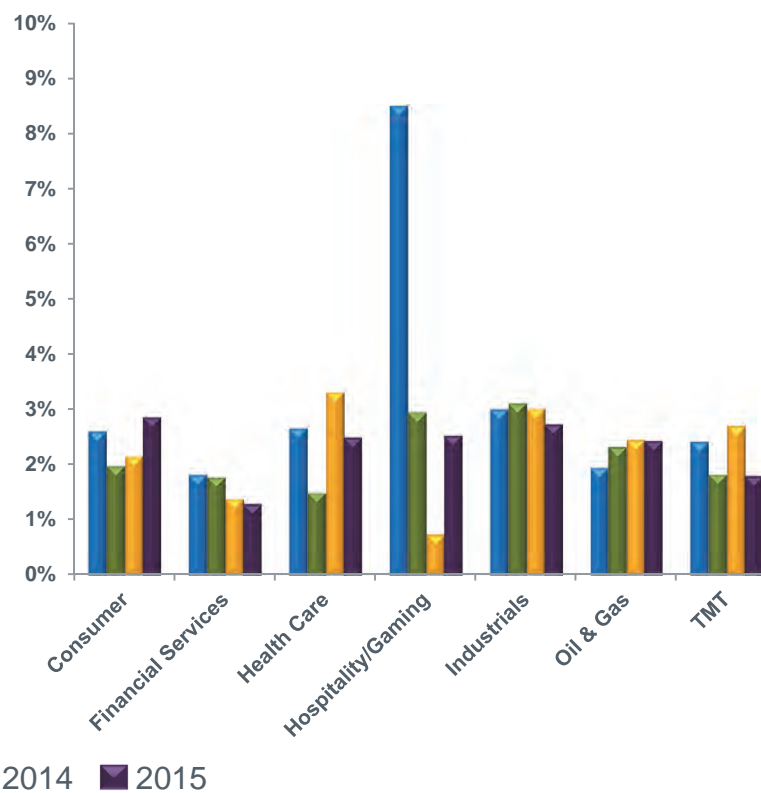
General Permitted Lien Basket

% of Total Assets

Deal Size



Industry

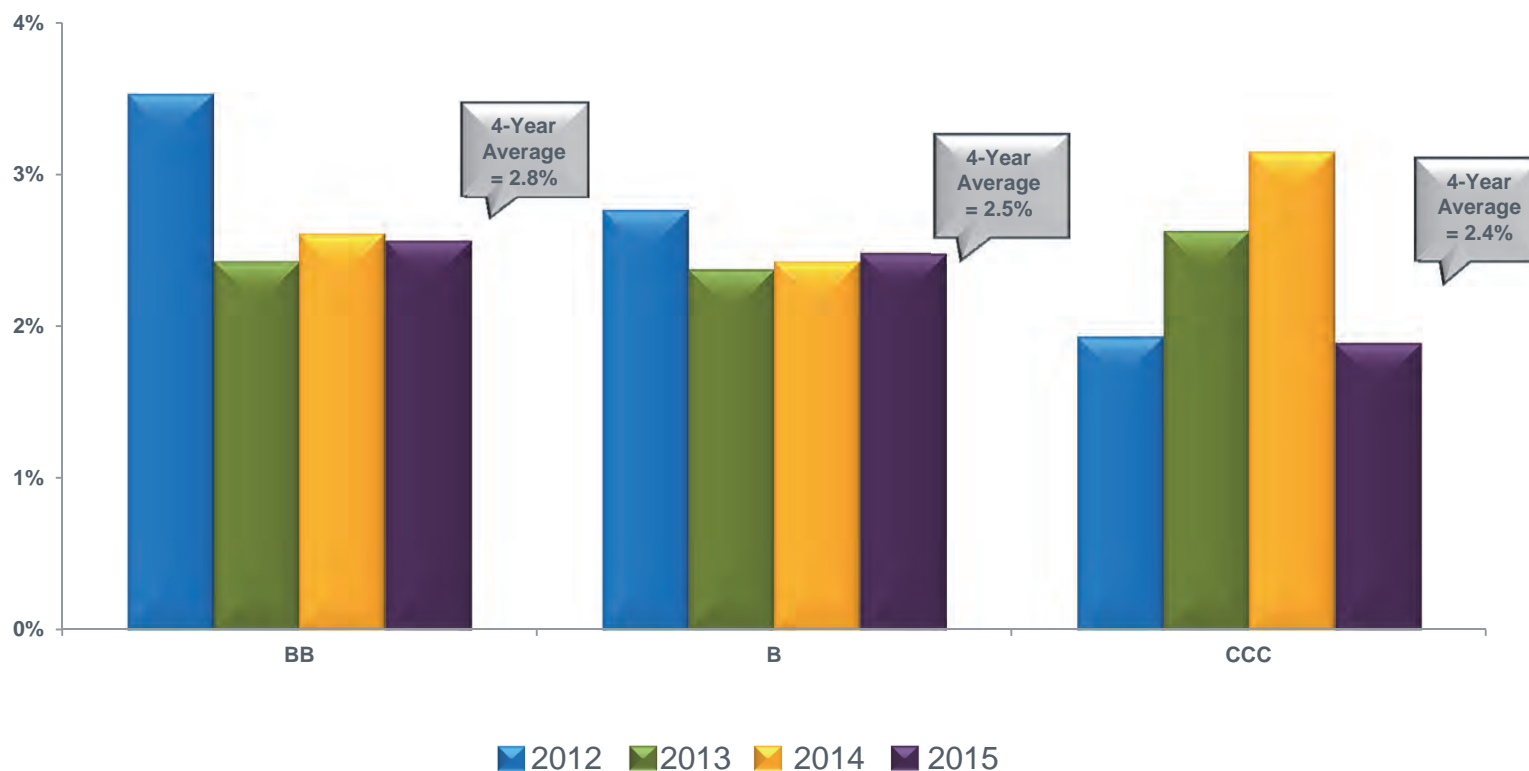


■ 2012 ■ 2013 ■ 2014 ■ 2015

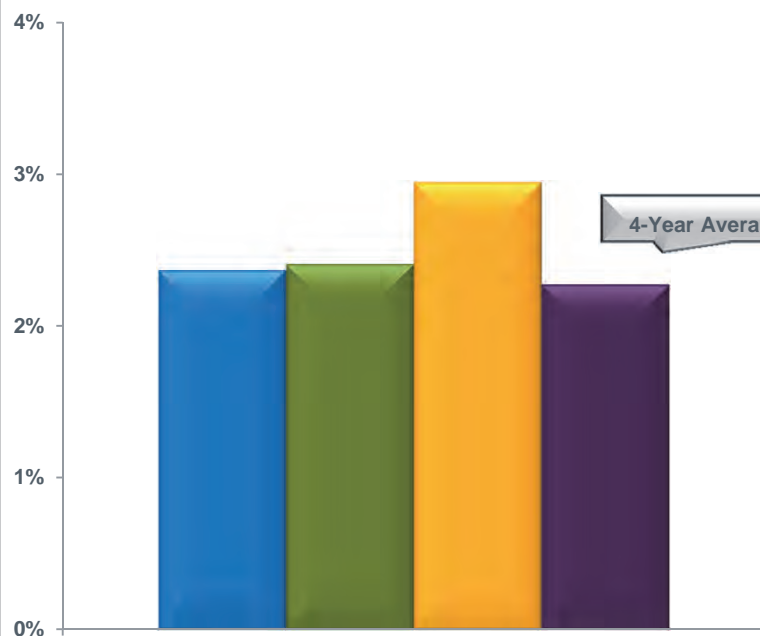
General Permitted Lien Basket

% of Total Assets

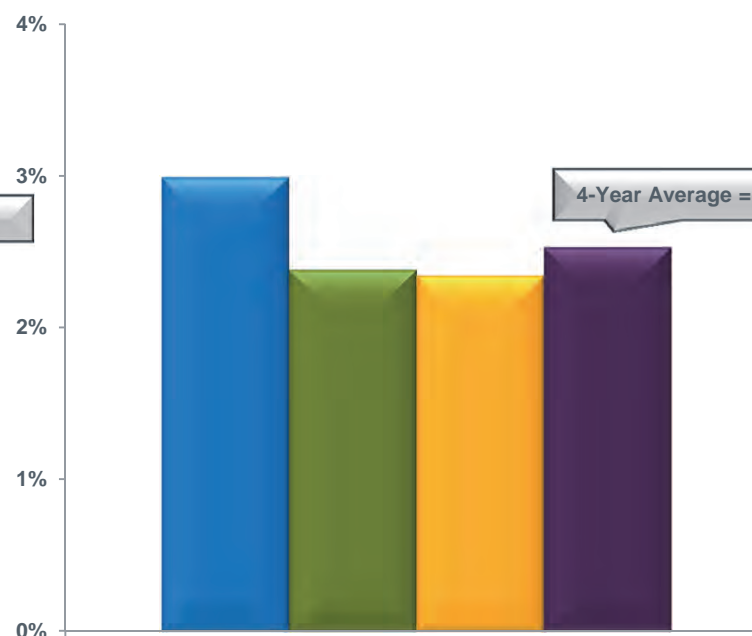
Ratings



General Permitted Lien Basket % of Total Assets

Sponsor

■ 2012 ■ 2013 ■ 2014 ■ 2015

Non-Sponsor

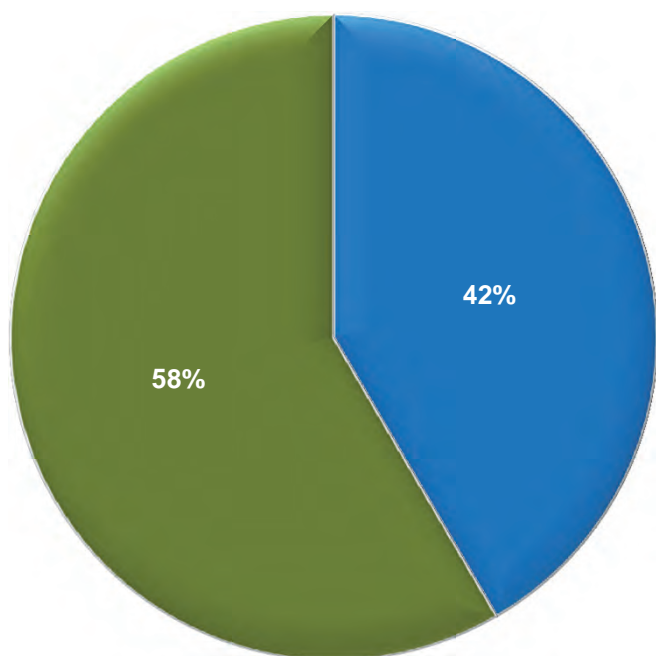


Affiliate Transactions

Fairness Opinion Requirement

% of Deals

Global 2015

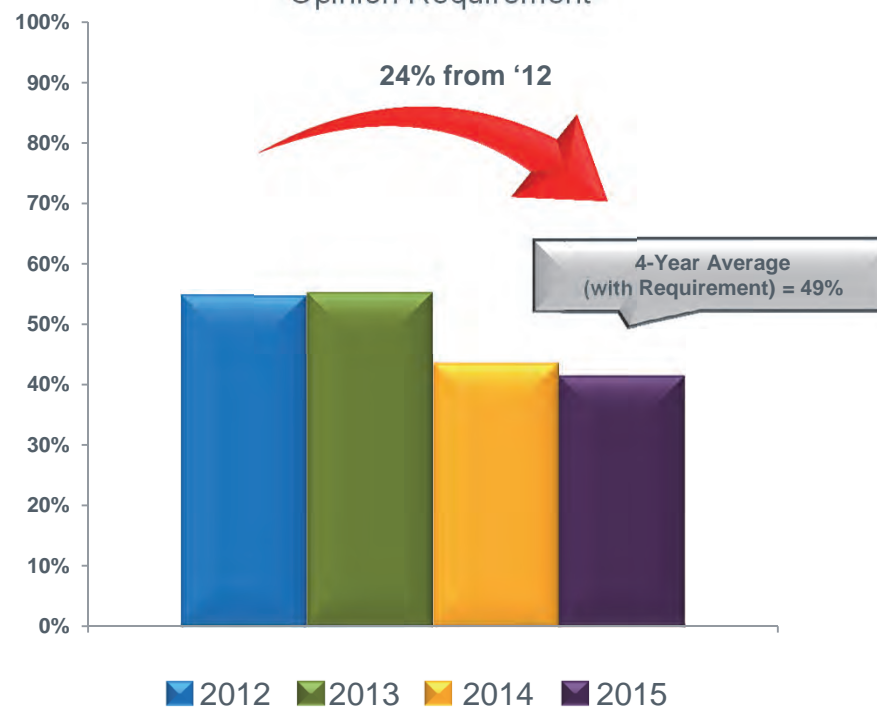


■ With Requirement

■ Without Requirement

Global

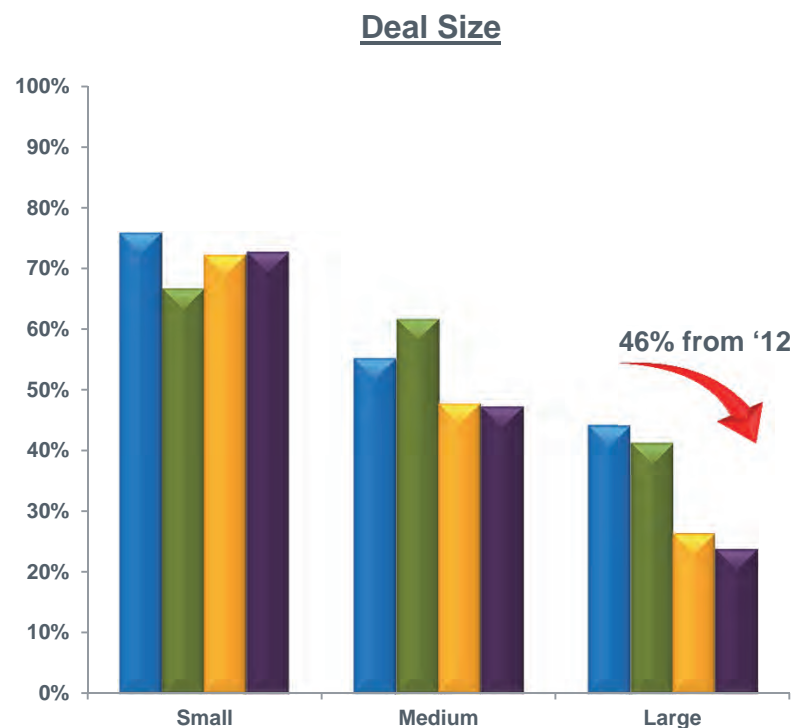
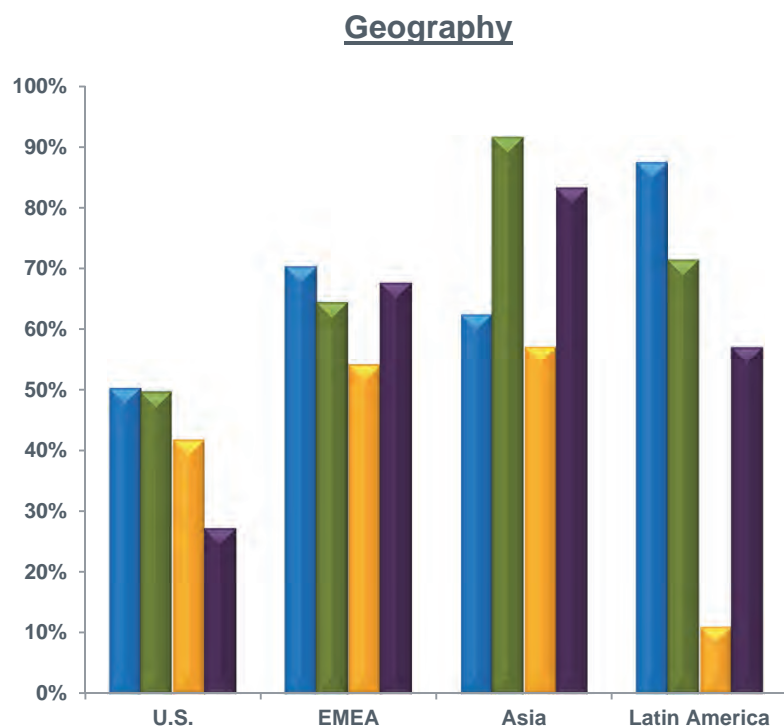
% of Deals with Fairness
Opinion Requirement



■ 2012 ■ 2013 ■ 2014 ■ 2015

Fairness Opinion Requirement

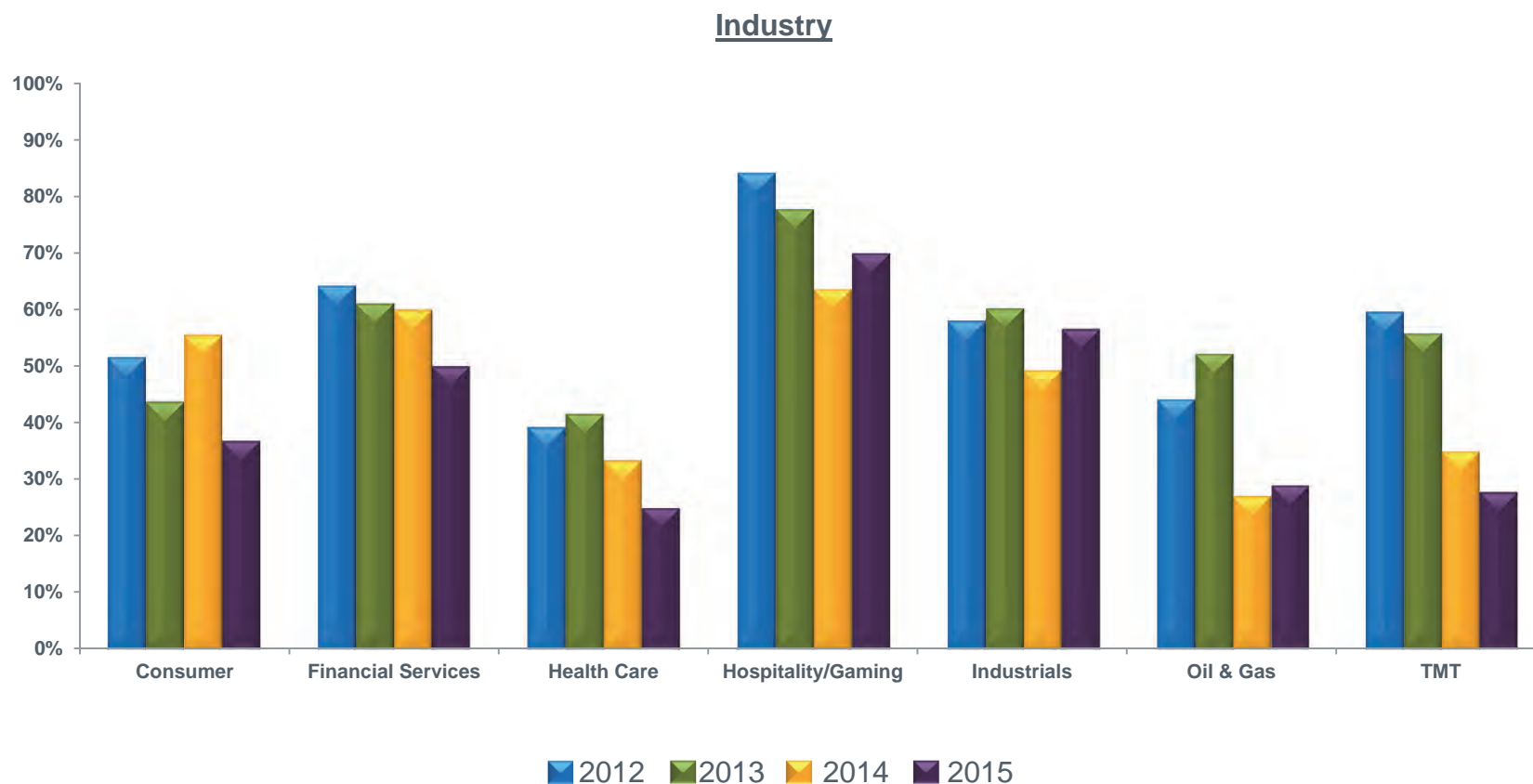
% of Deals with Fairness Opinion Requirement



■ 2012 ■ 2013 ■ 2014 ■ 2015

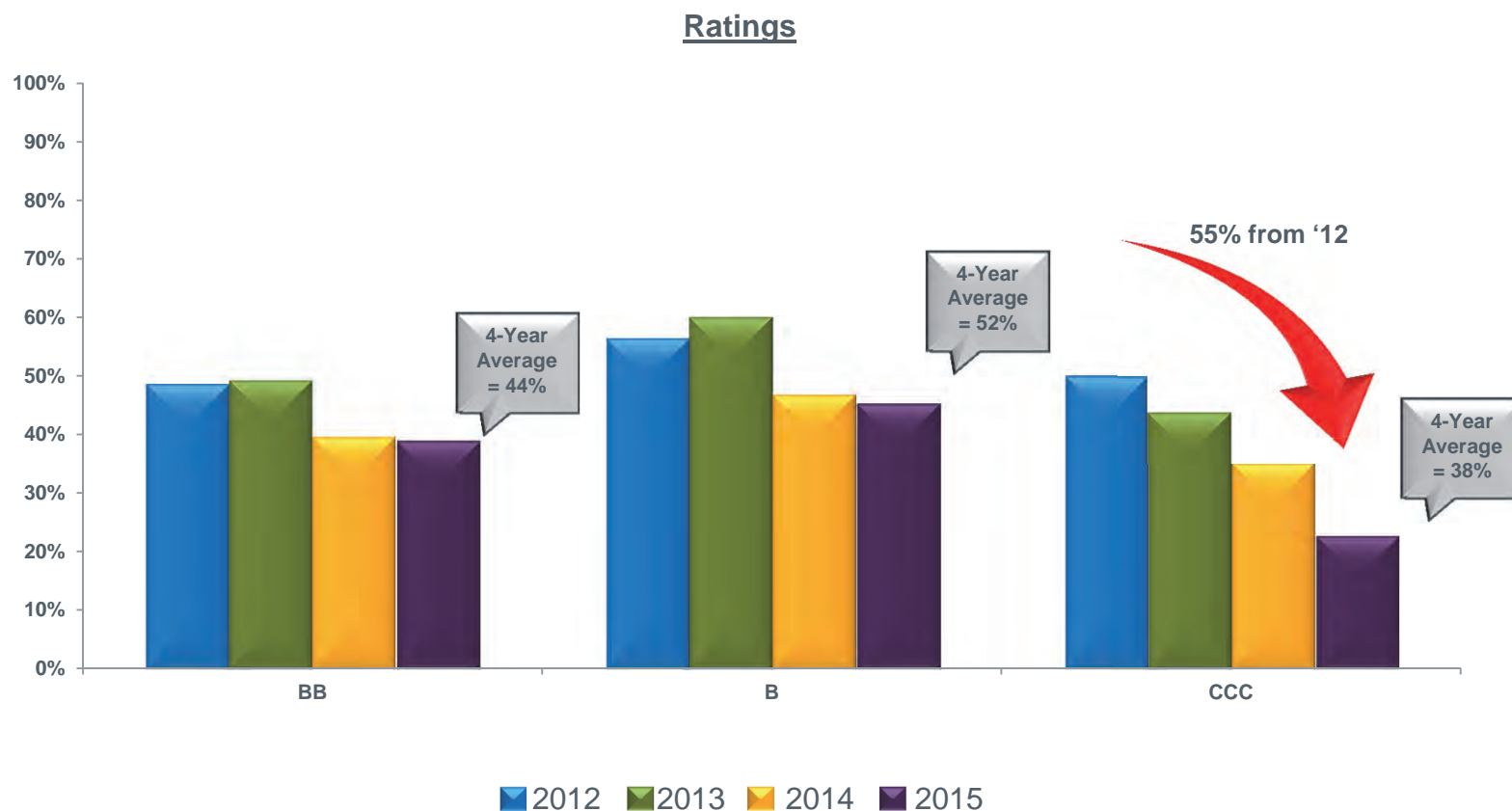
Fairness Opinion Requirement

% of Deals with Fairness Opinion Requirement



Fairness Opinion Requirement

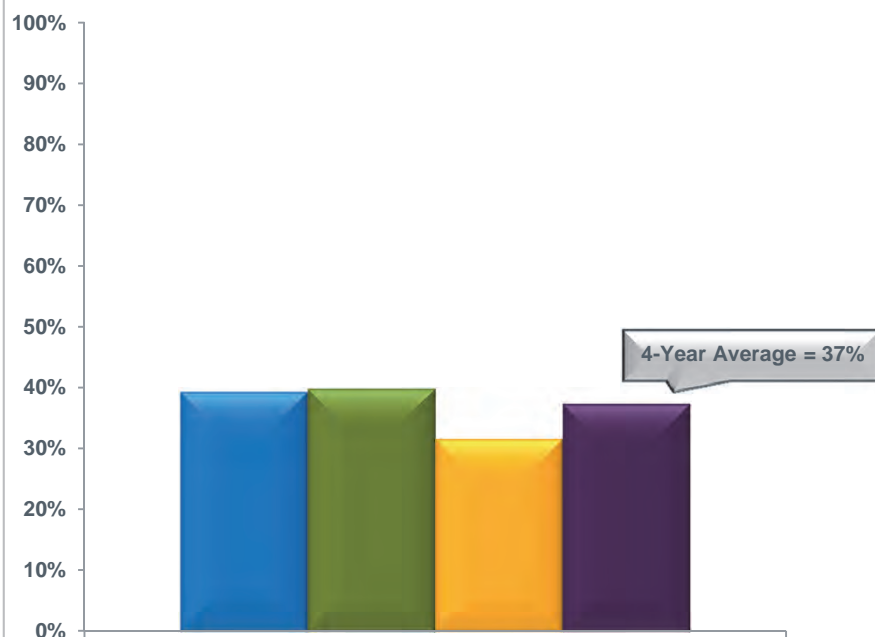
% of Deals with Fairness Opinion Requirement



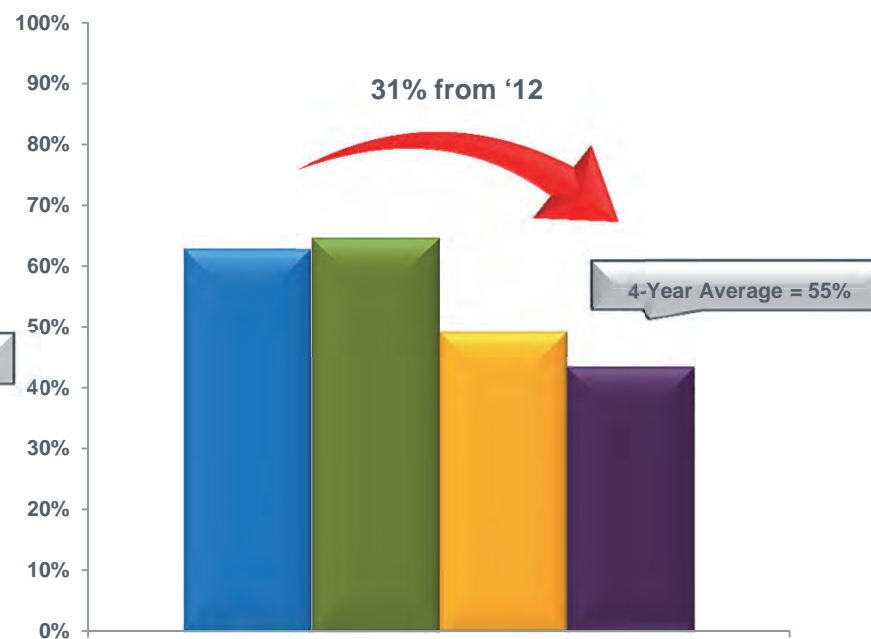
Fairness Opinion Requirement

% of Deals with Fairness Opinion Requirement

Sponsor



Non-Sponsor



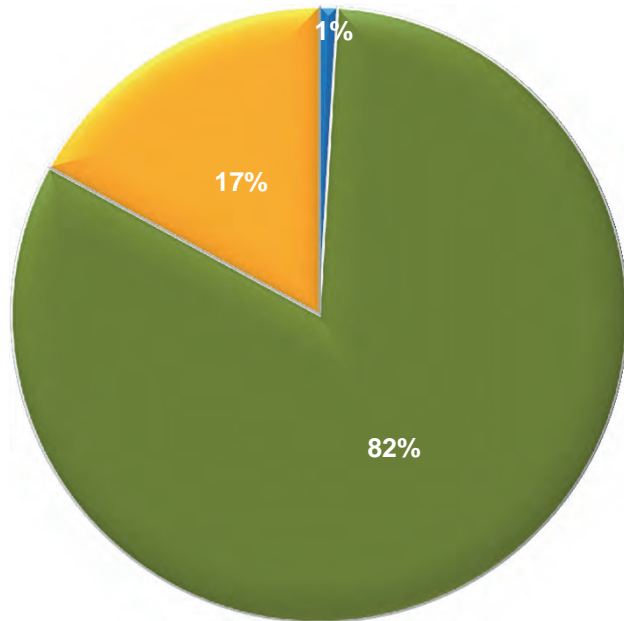
■ 2012 ■ 2013 ■ 2014 ■ 2015



Asset Sales

Reinvestment Period

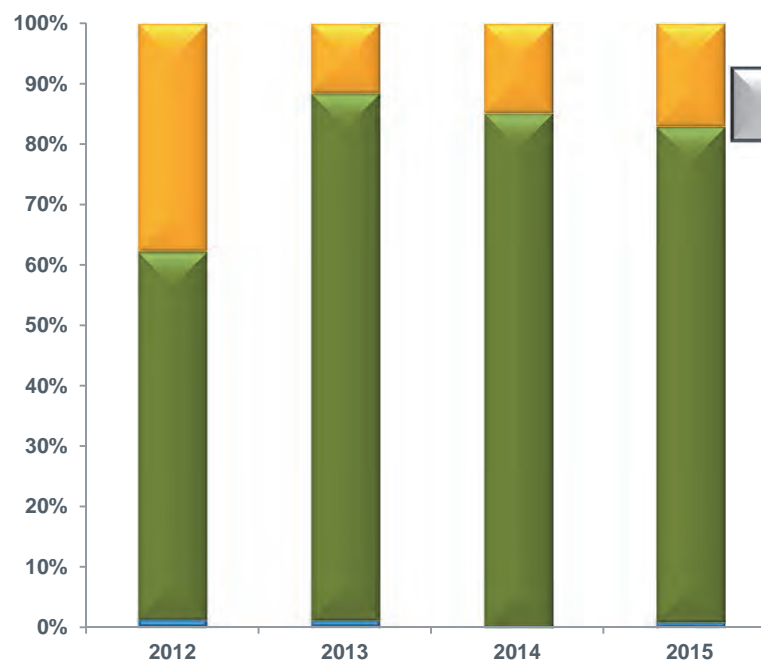
% of Deals

Global 2015

■ <360 Days

■ 360-365 Days

■ >365 Days

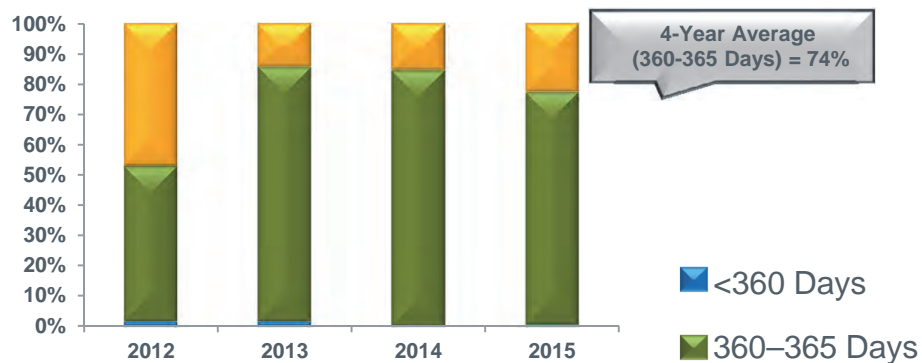
Global

4-Year Average
(360-365 Days) = 79%

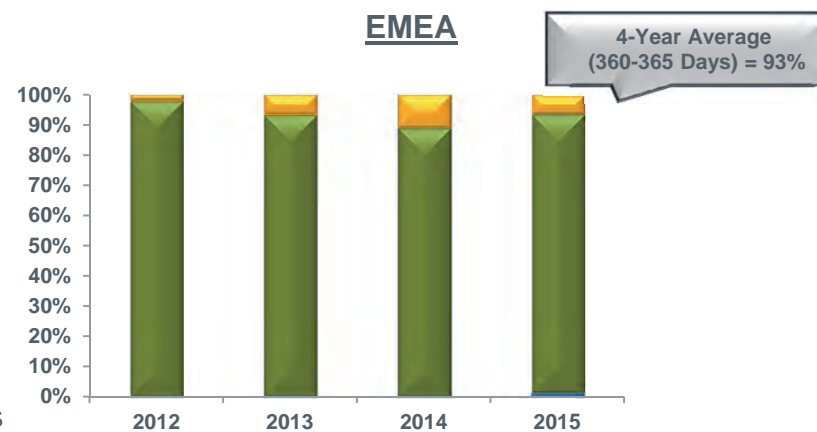
Reinvestment Period

Geographic Breakdown

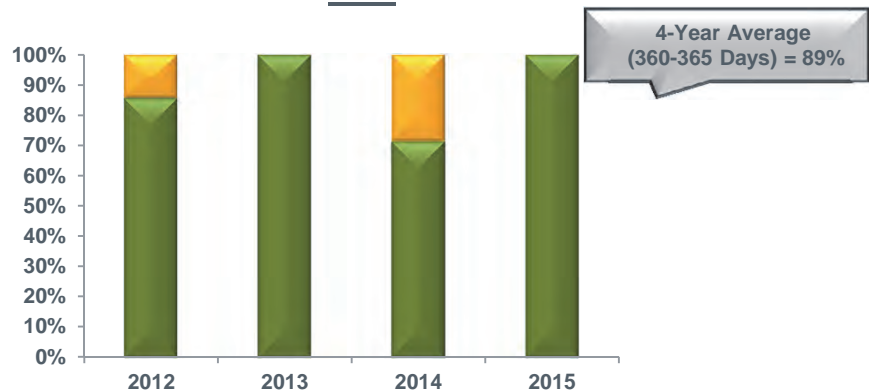
U.S.



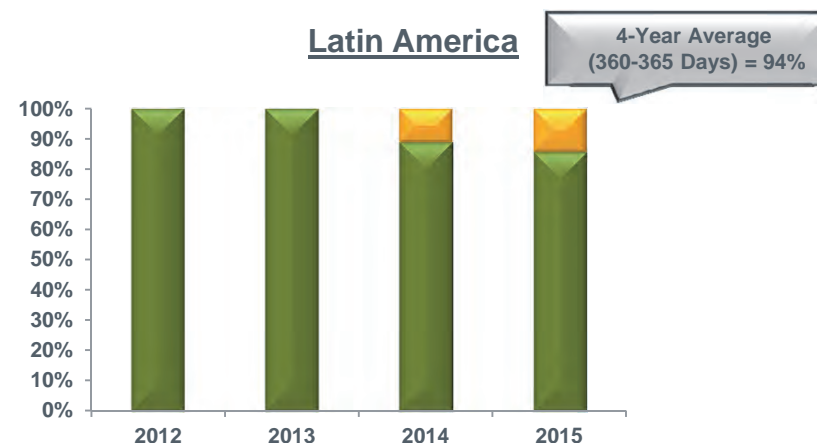
EMEA



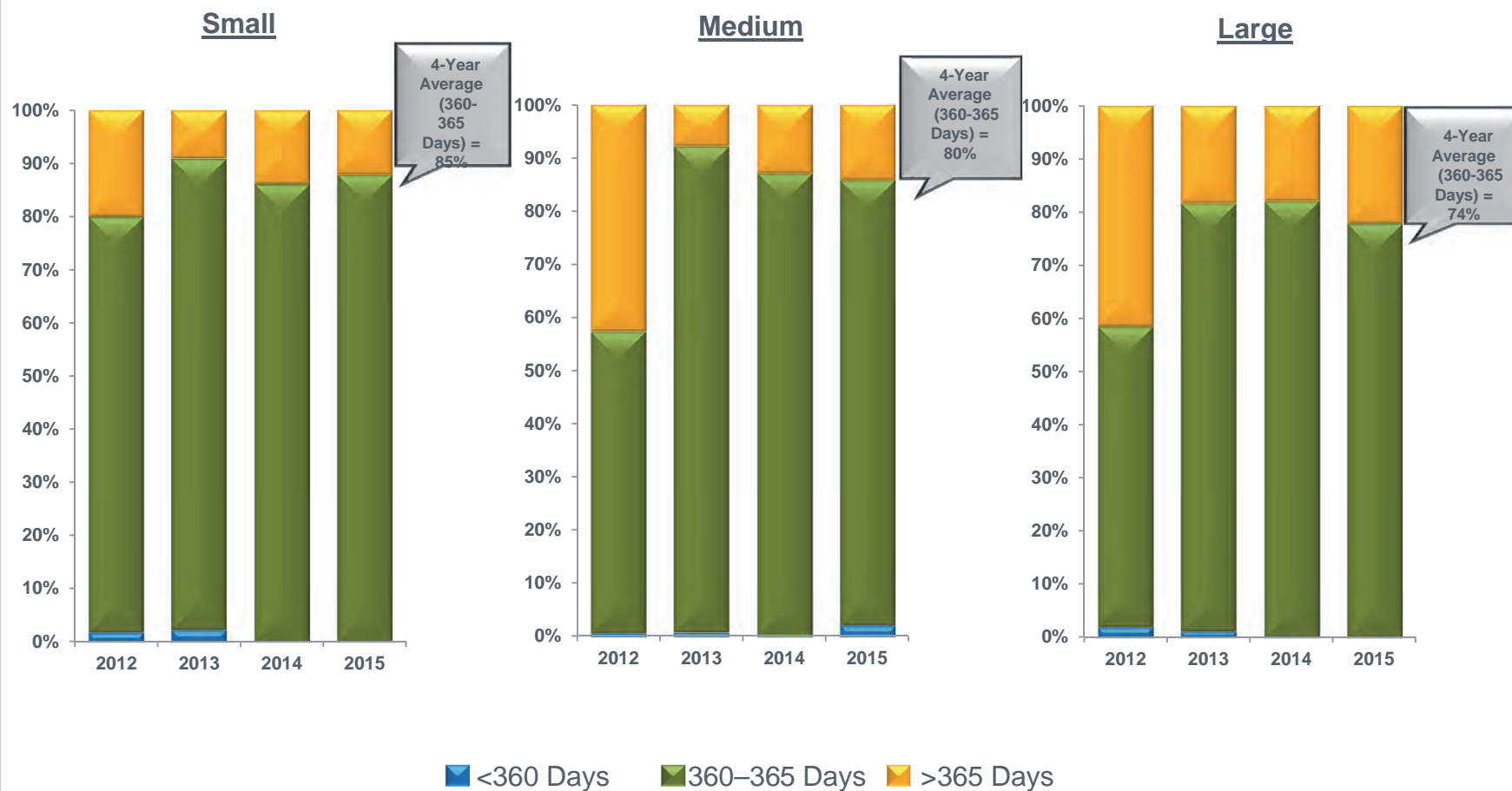
Asia



Latin America



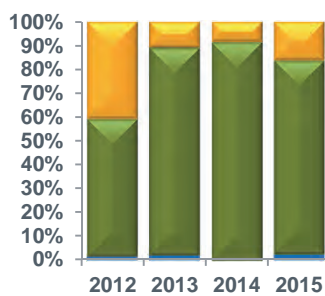
Reinvestment Period Deal Size Breakdown



Reinvestment Period

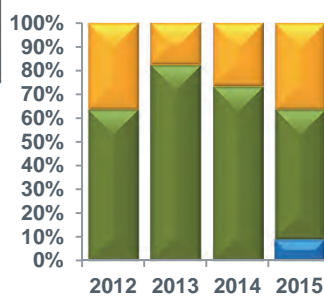
Industry Breakdown

Consumer



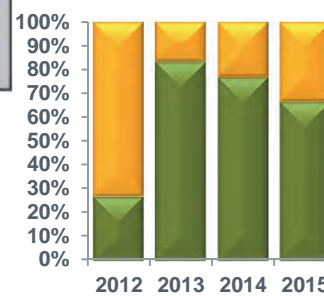
4-Year Average (360-365 Days) = 79%

Financial Services



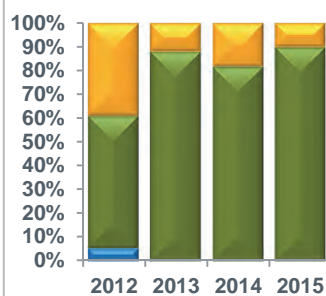
4-Year Average (360-365 Days) = 68%

Health Care



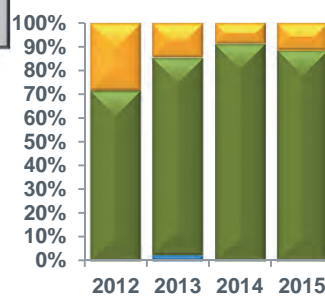
4-Year Average (360-365 Days) = 63%

Hospitality/Gaming



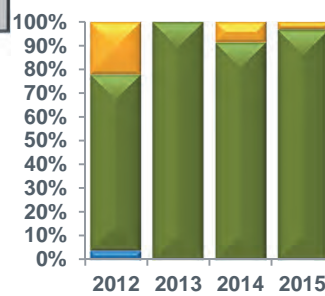
4-Year Average (360-365 Days) = 79%

Industrials



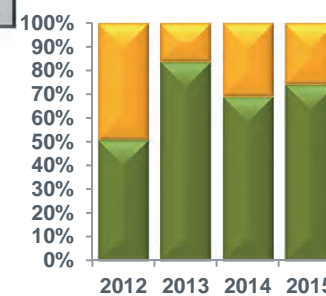
4-Year Average (360-365 Days) = 84%

Oil & Gas



4-Year Average (360-365 Days) = 91%

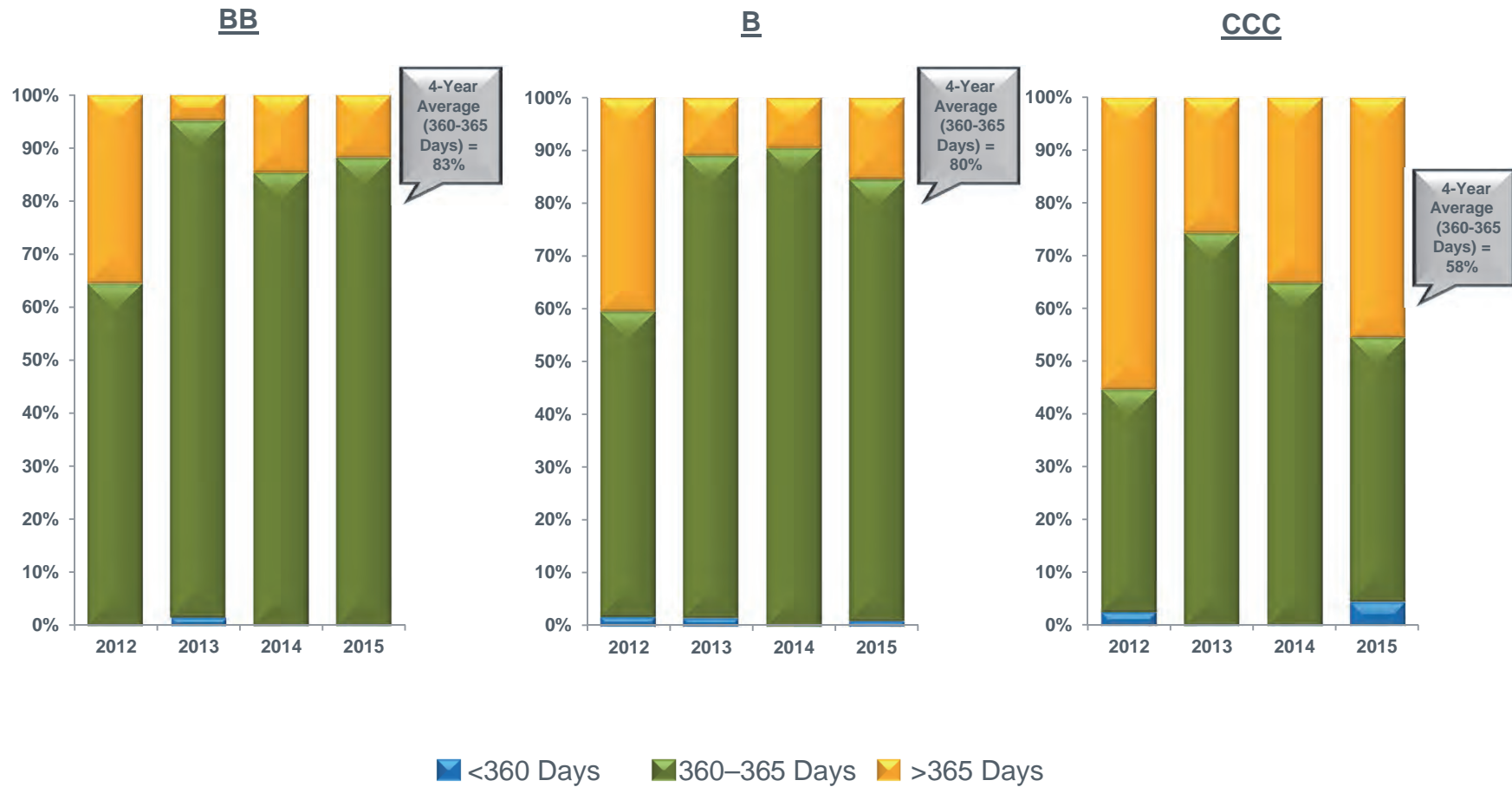
TMT



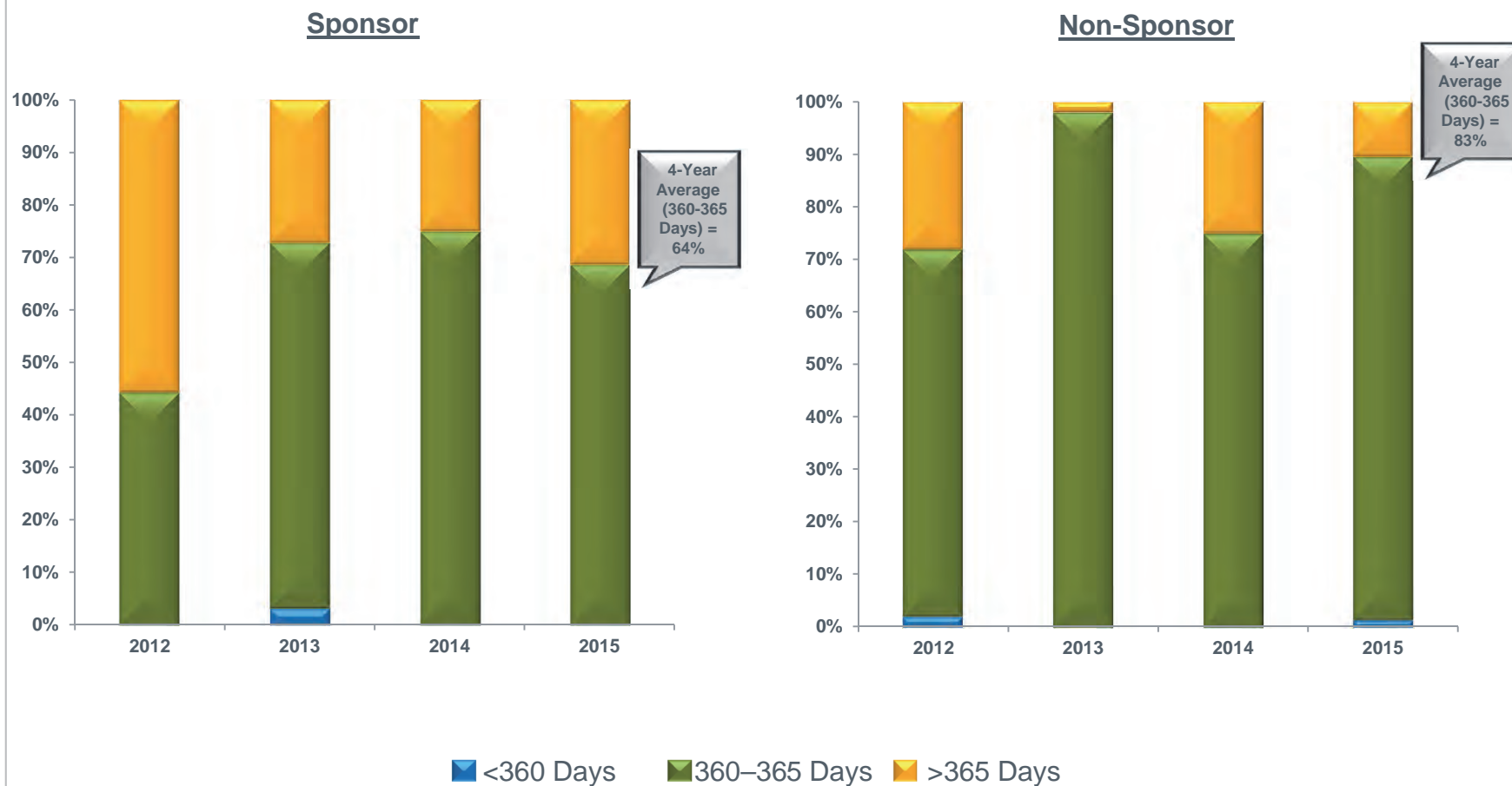
4-Year Average (360-365 Days) = 70%

■ <360 Days ■ 360-365 Days ■ >365 Days

Reinvestment Period Ratings Breakdown

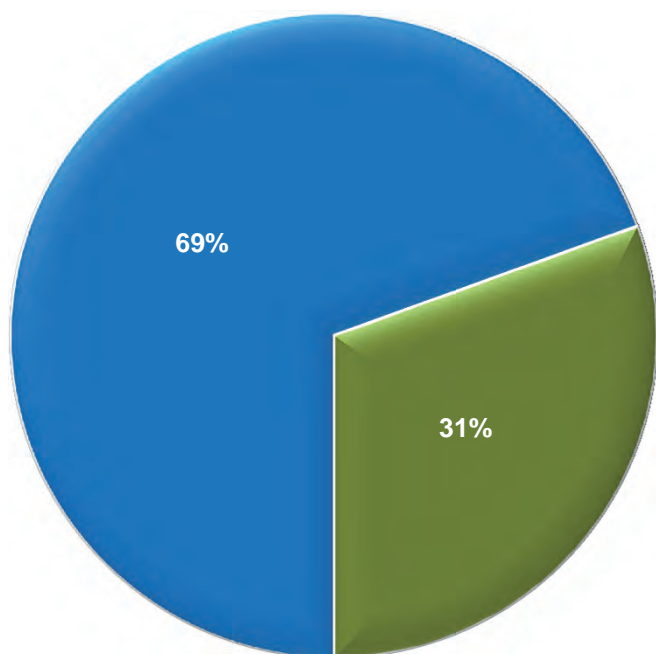


Reinvestment Period Sponsor Breakdown



Designated Non-Cash Consideration % of Deals

Global 2015

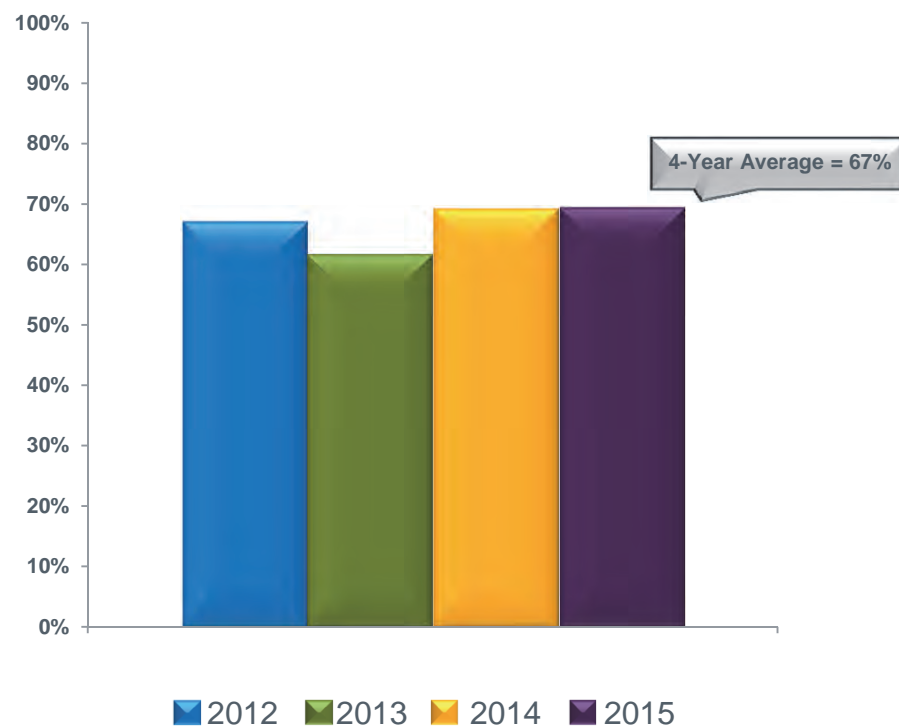


■ With Carve-out

■ Without Carve-out

Global

% of Deals with Carve-out



■ 2012

■ 2013

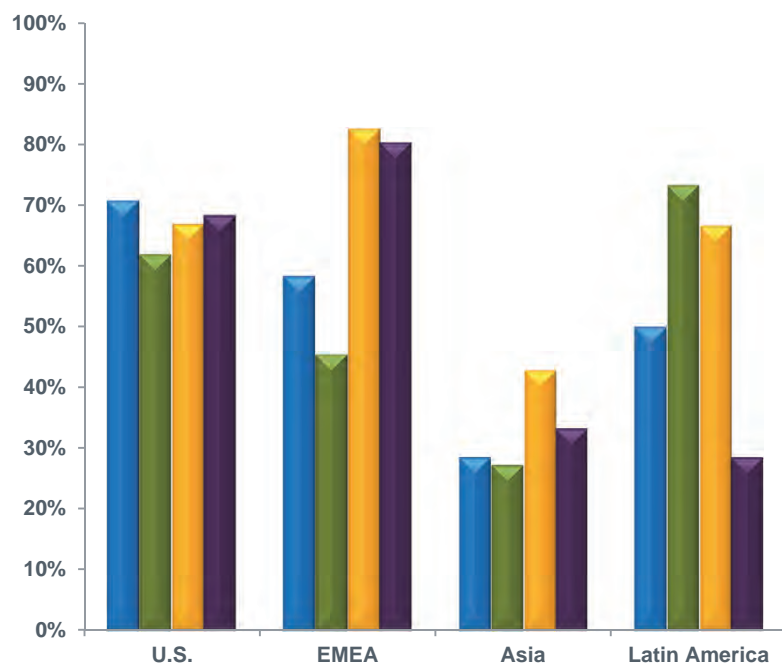
■ 2014

■ 2015

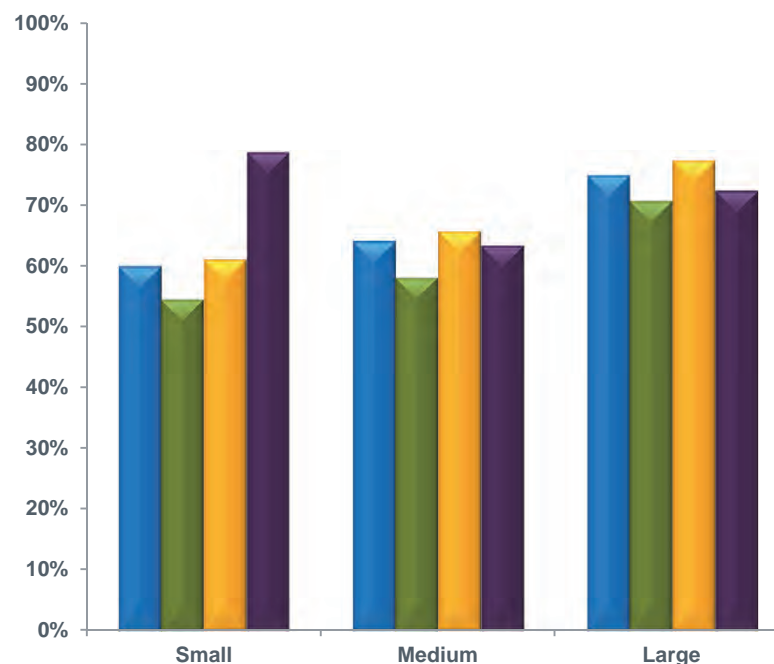
Designated Non-Cash Consideration

% of Deals with Carve-out

Geography



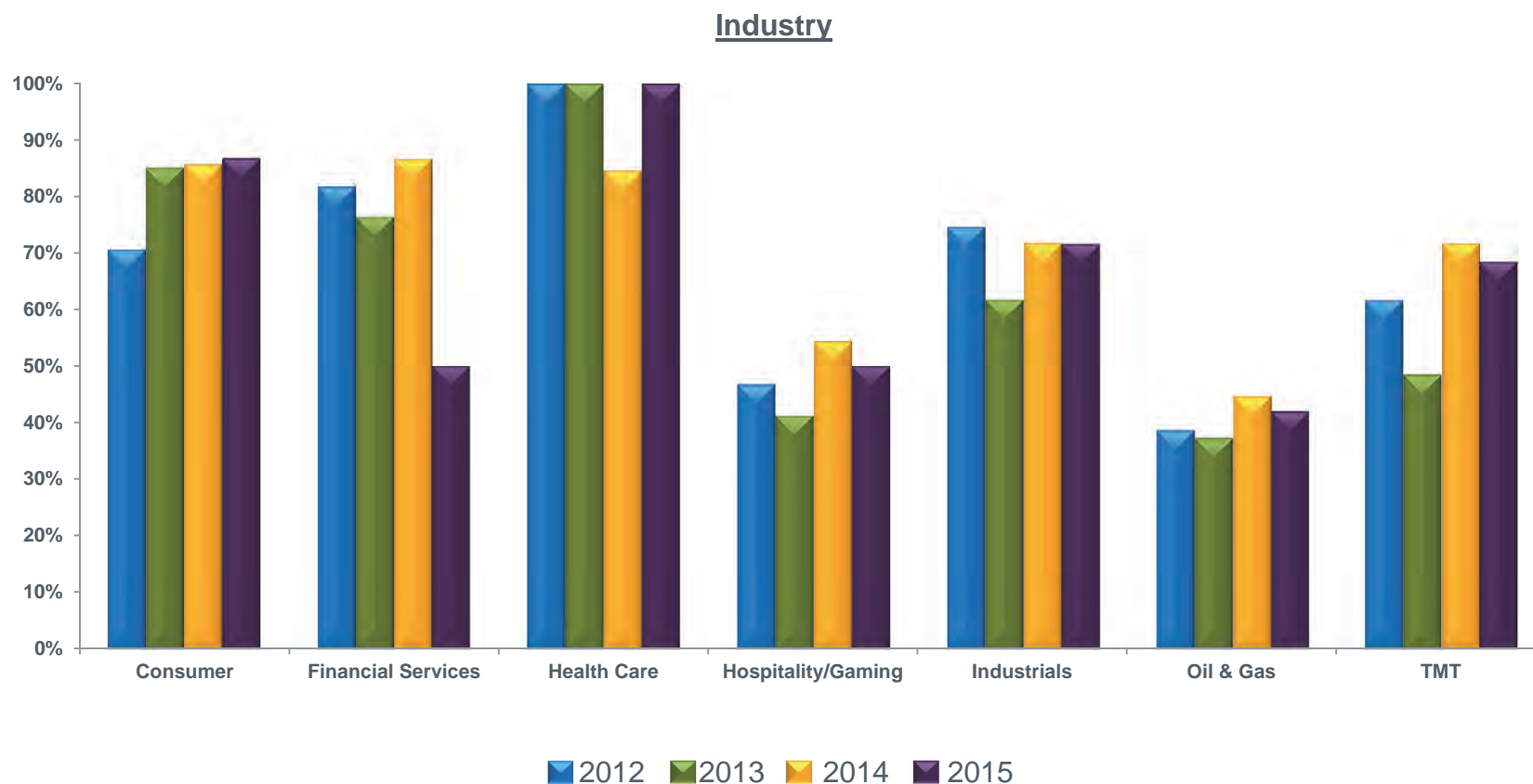
Deal Size



■ 2012 ■ 2013 ■ 2014 ■ 2015

Designated Non-Cash Consideration

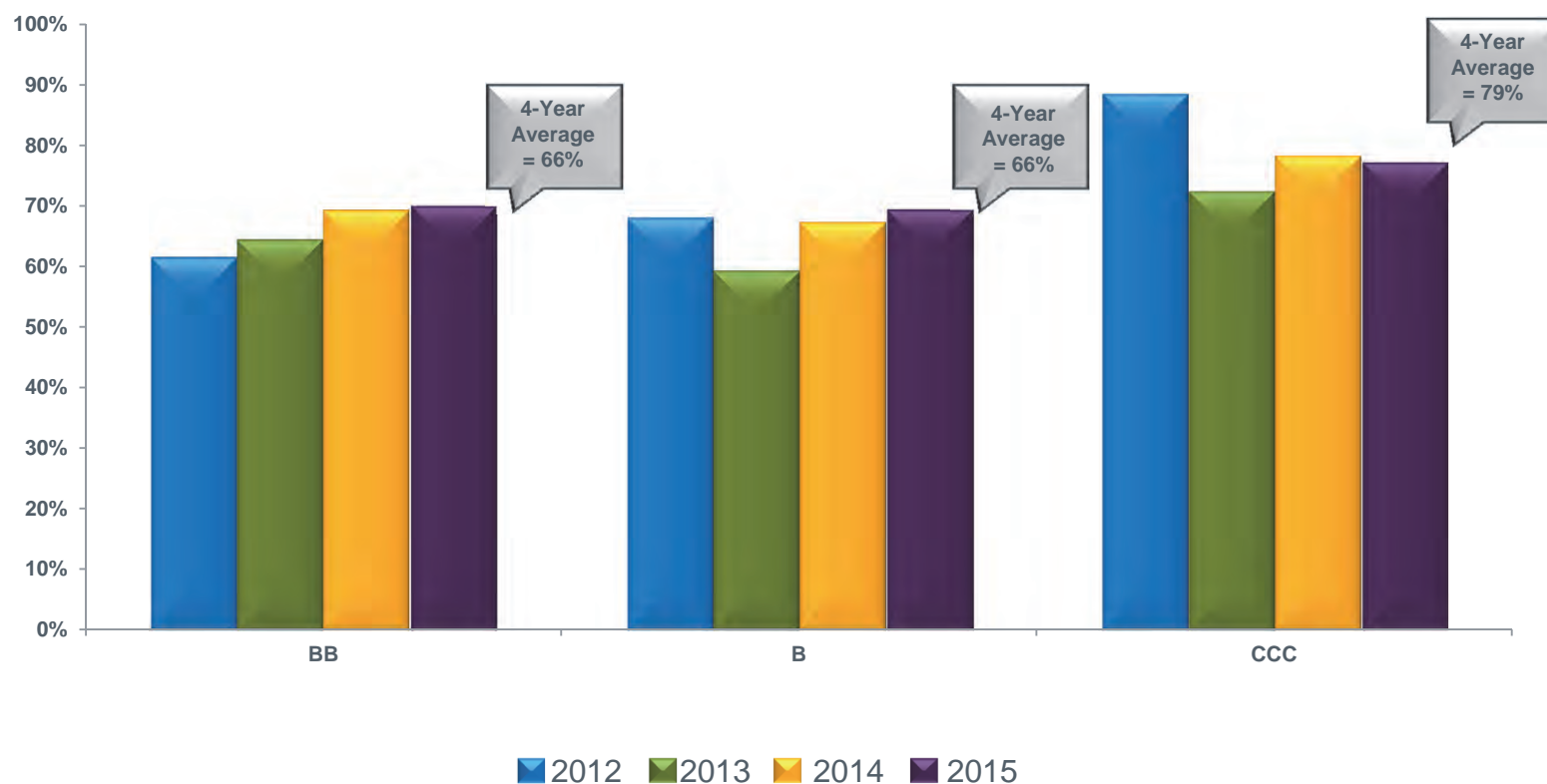
% of Deals with Carve-out



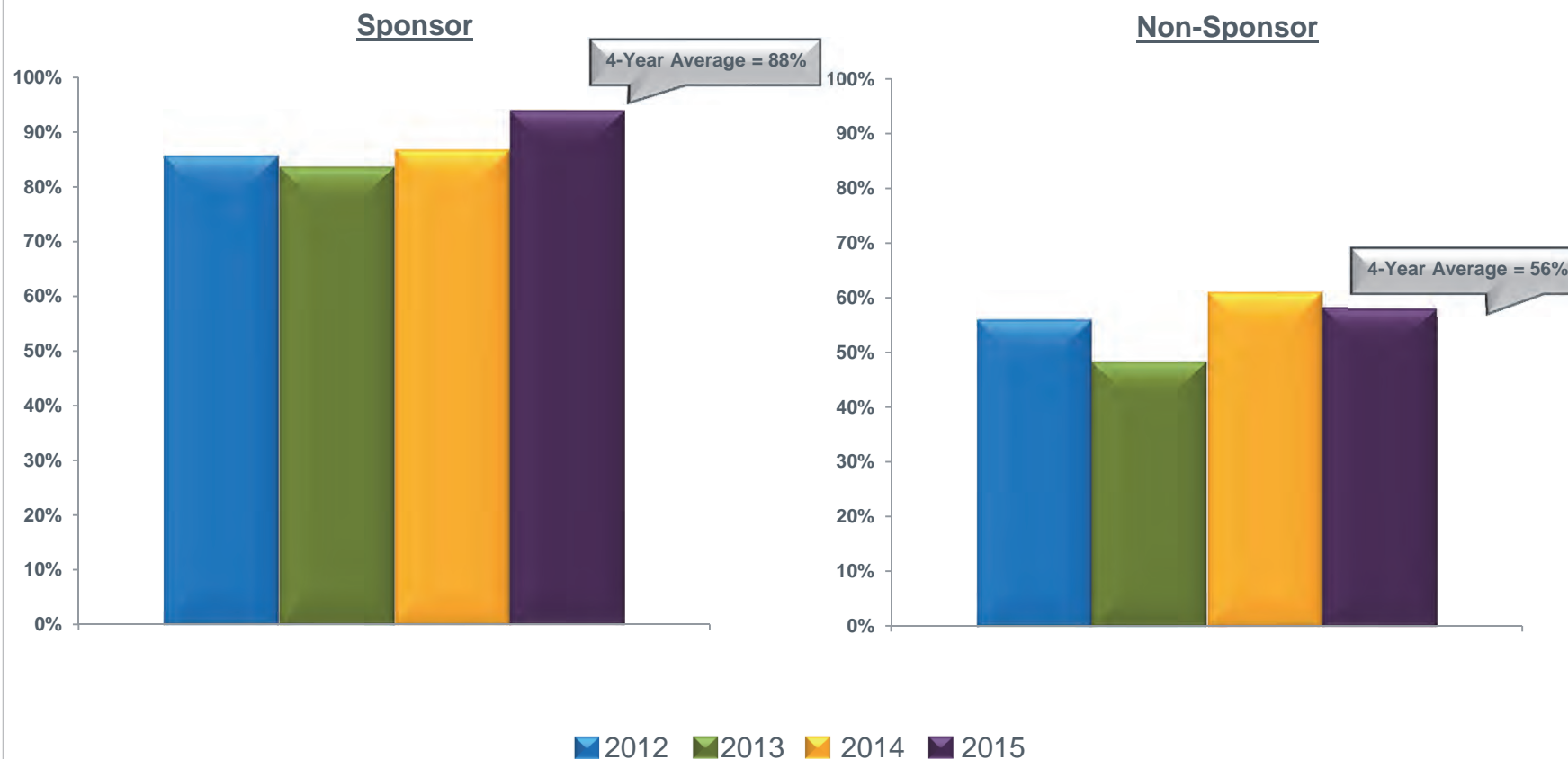
Designated Non-Cash Consideration

% of Deals with Carve-out

Ratings



Designated Non-Cash Consideration % of Deals with Carve-out

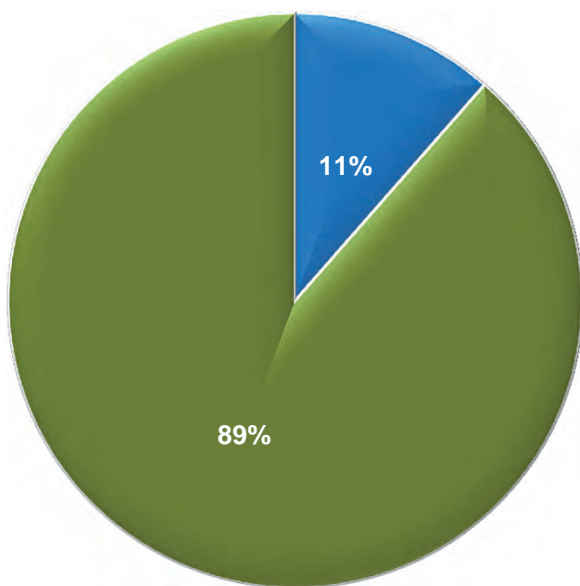




Merger Covenant

Ratio Debt Condition % of Deals

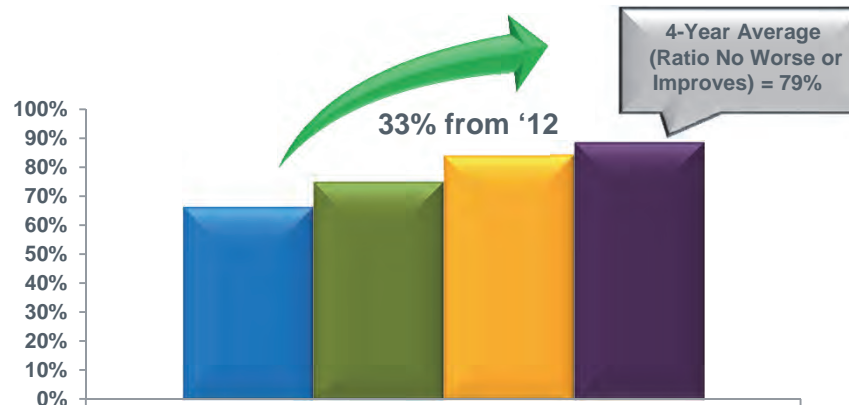
Global 2015



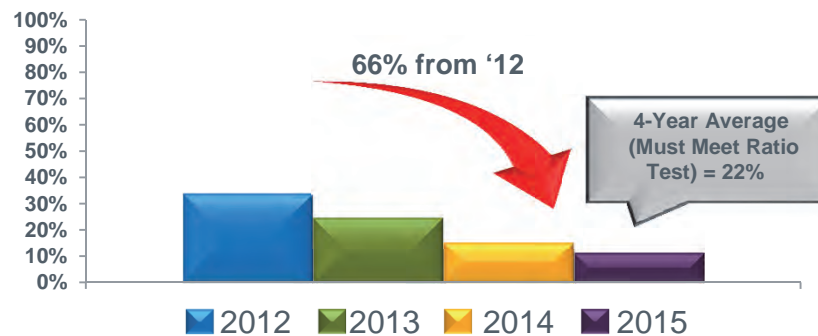
■ Must Meet Ratio Test ■ Ratio No Worse or Improves

Global

% of Deals Ratio No Worse or Improves



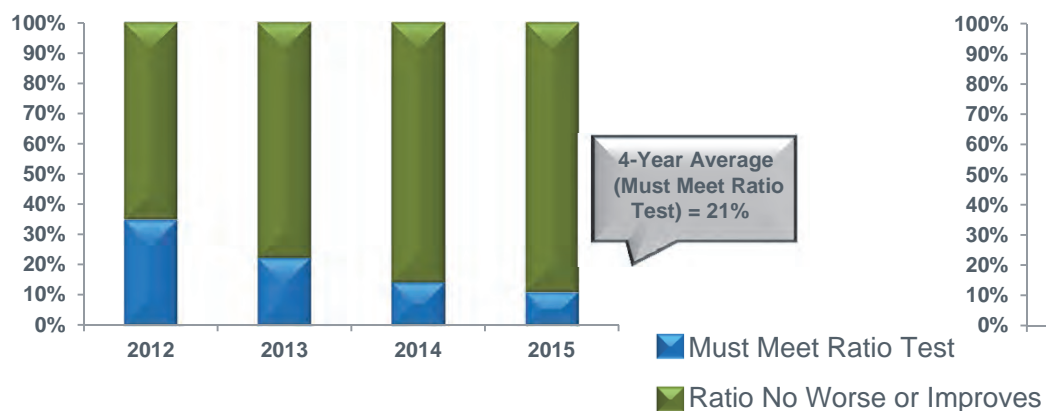
% of Deals Must Meet Ratio Test



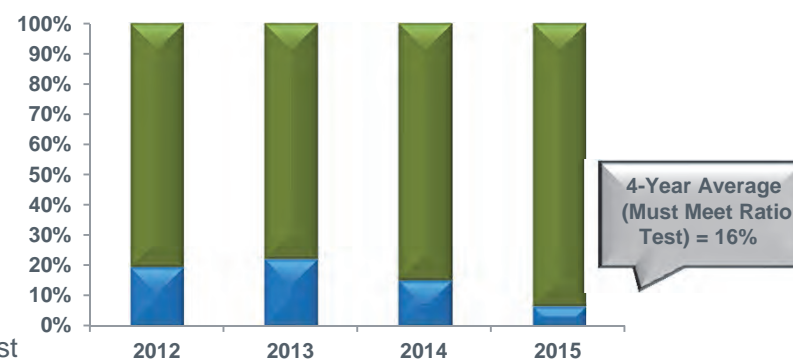
Ratio Debt Condition

Geographic Breakdown

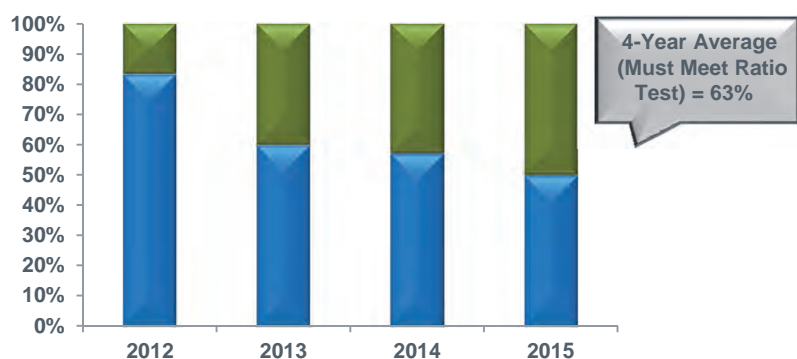
U.S.



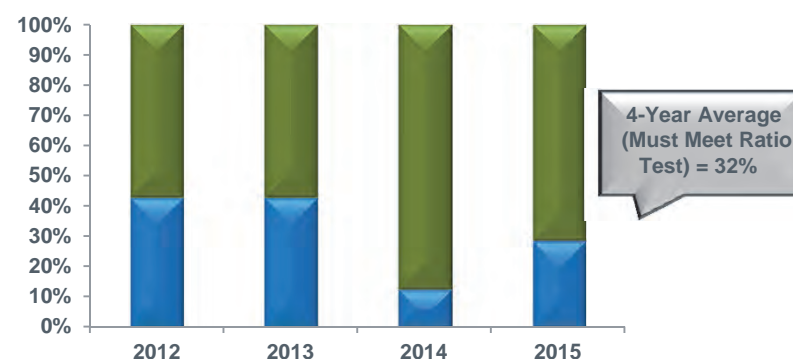
EMEA



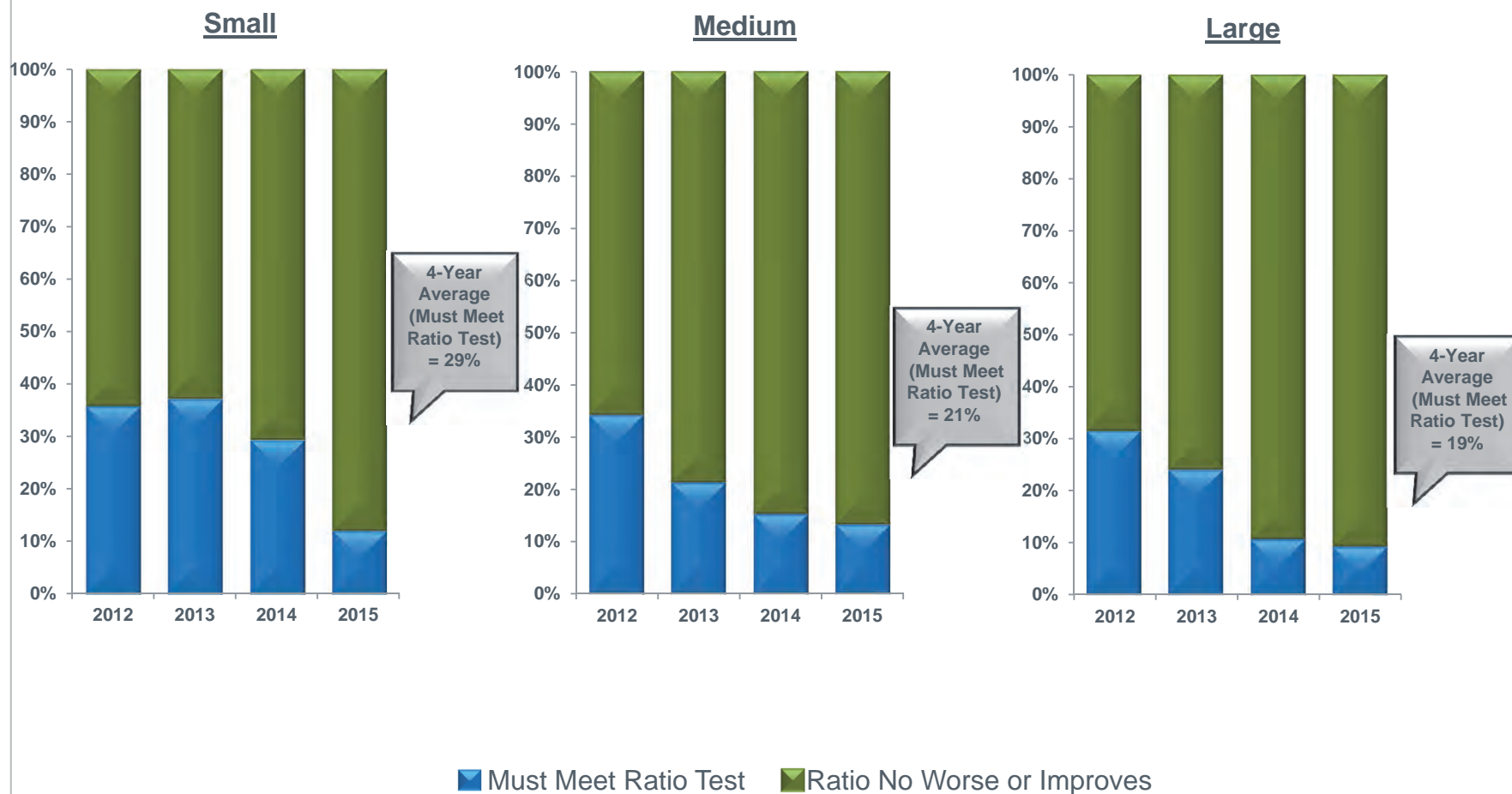
Asia



Latin America



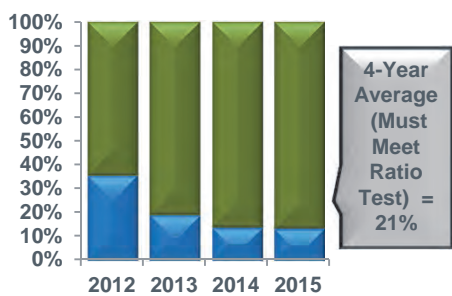
Ratio Debt Condition Deal Size Breakdown



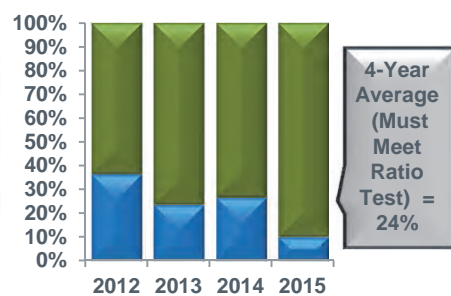
Ratio Debt Condition

Industry Breakdown

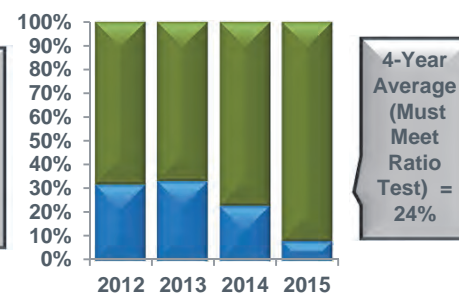
Consumer



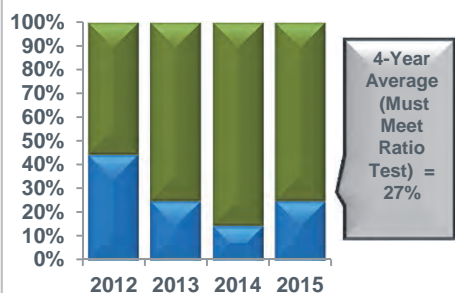
Financial Services



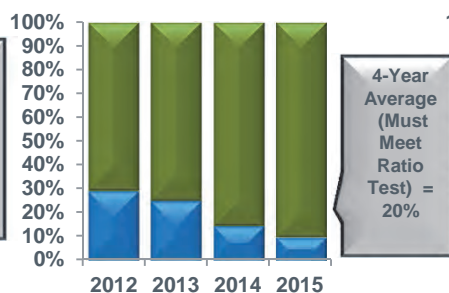
Health Care



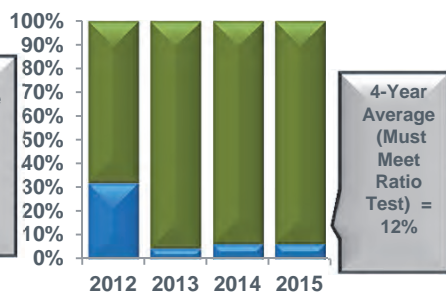
Hospitality/Gaming



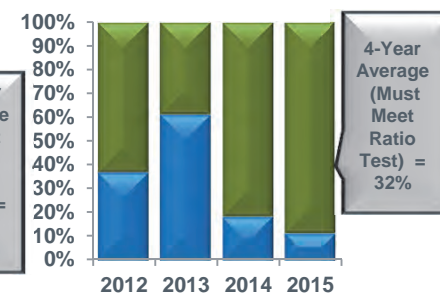
Industrials



Oil & Gas

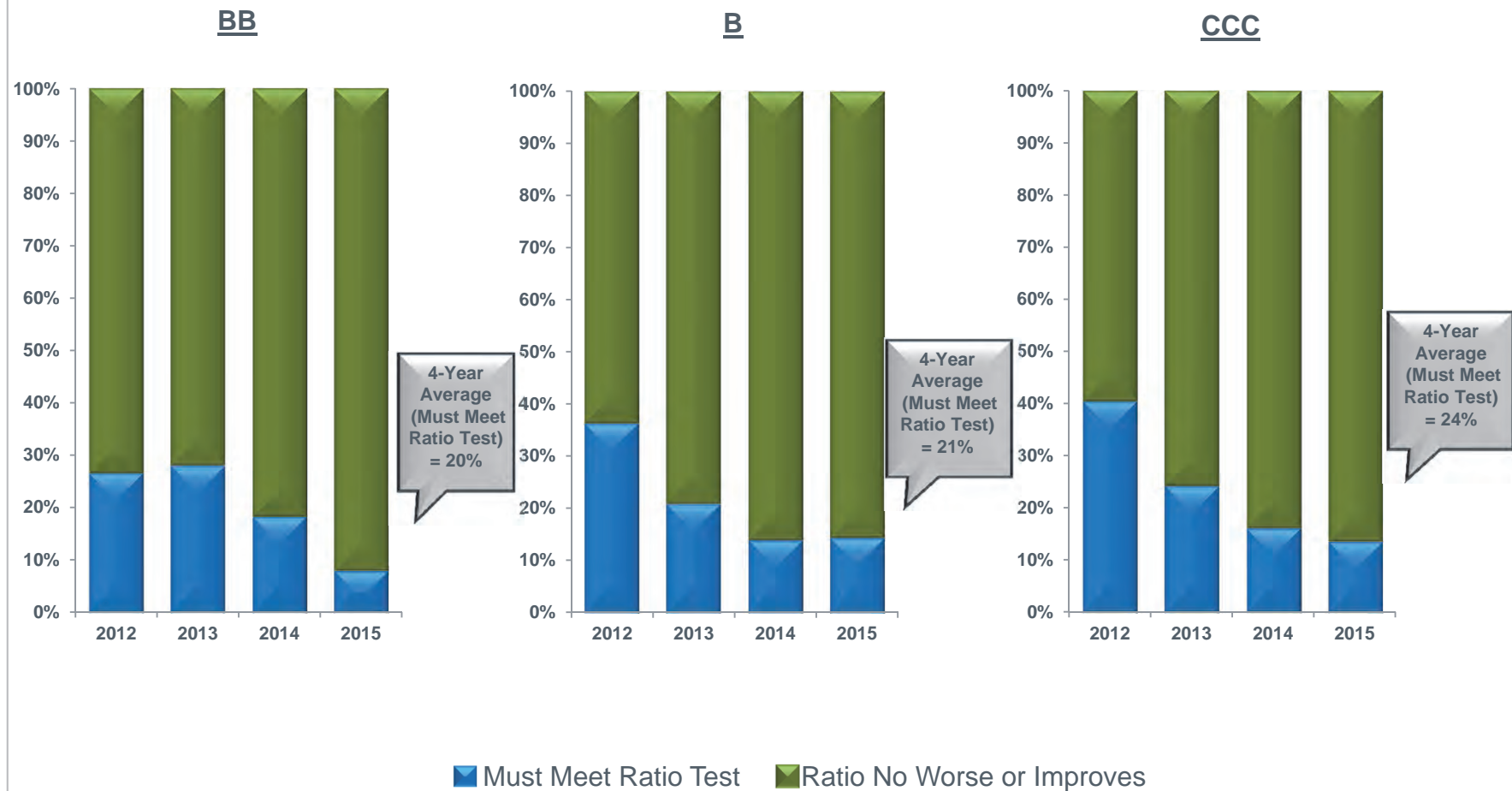


TMT

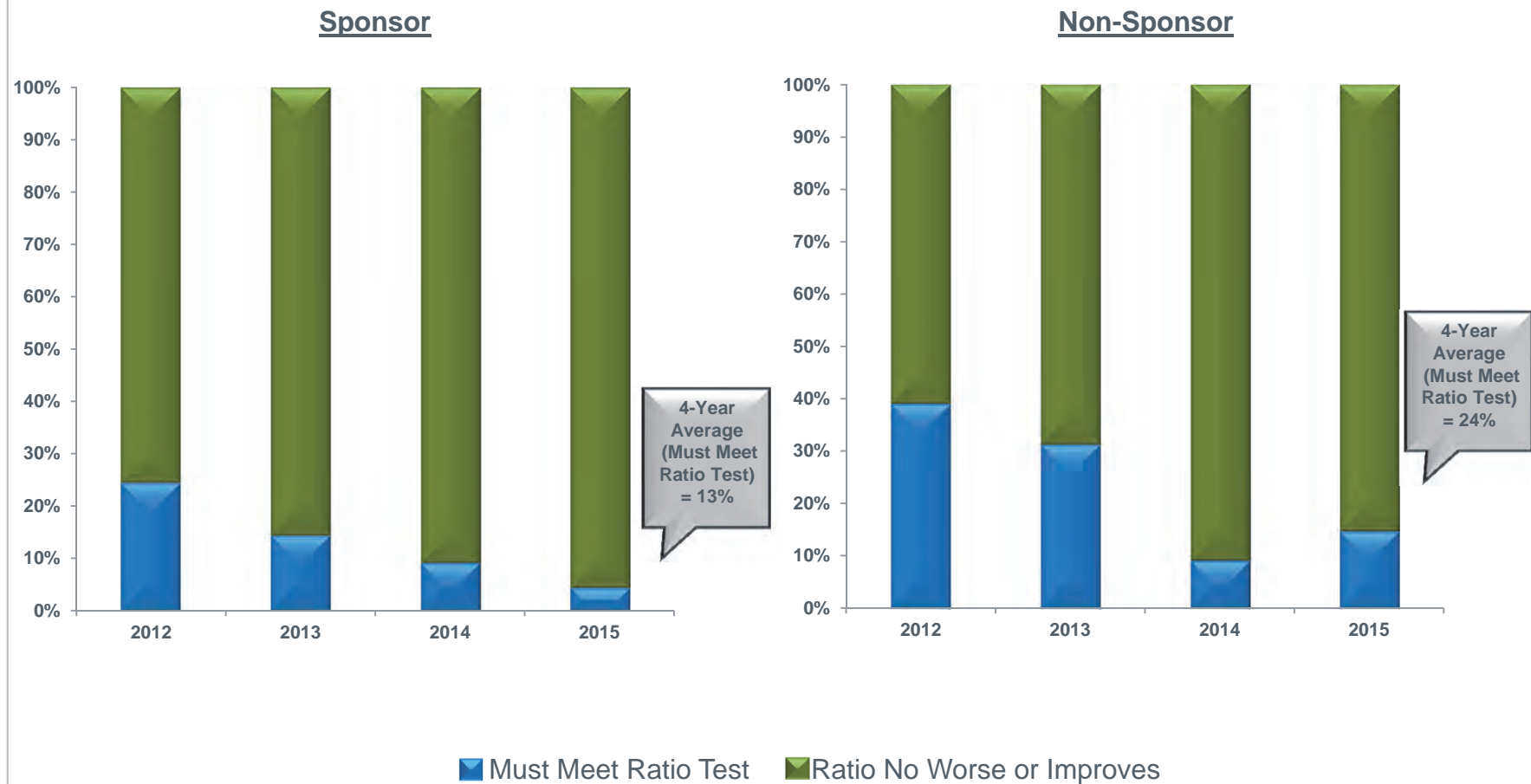


■ Must Meet Ratio Test ■ Ratio No Worse or Improves

Ratio Debt Condition Ratings Breakdown



Ratio Debt Condition Sponsor Breakdown

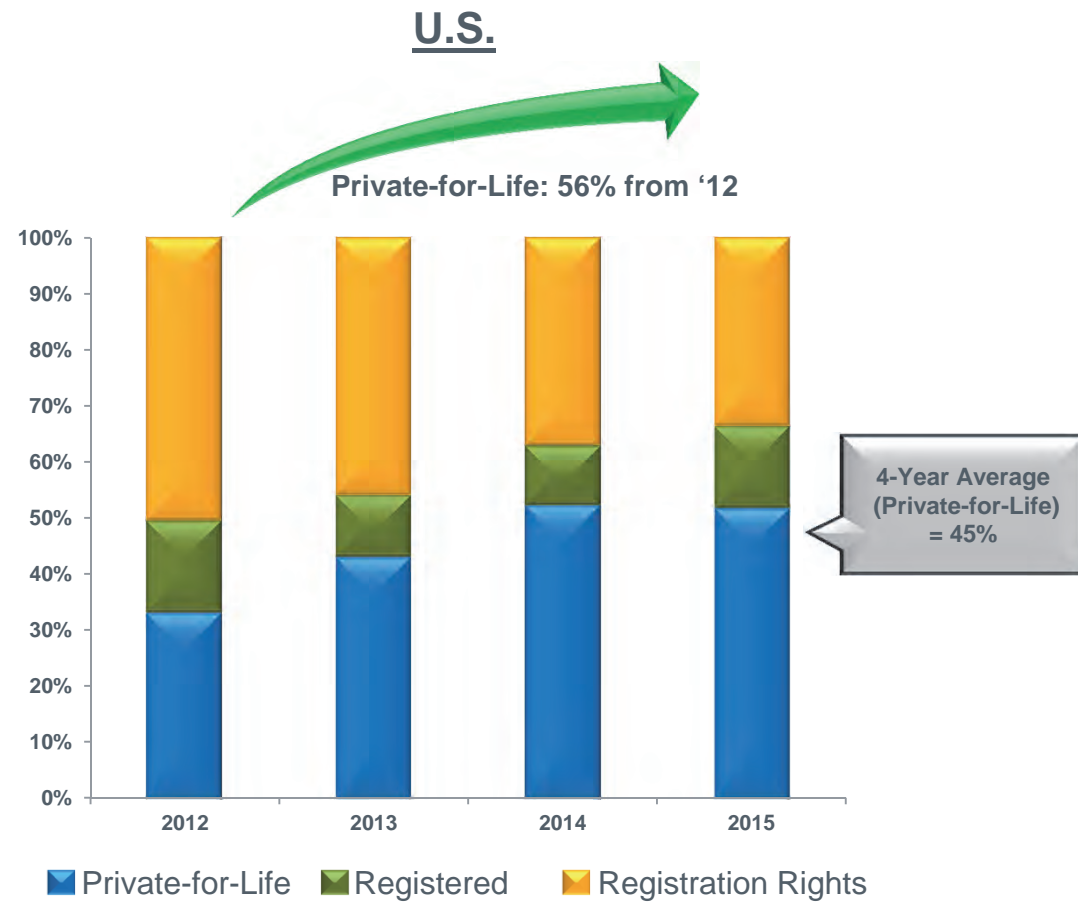




Registration Rights

Registration Rights

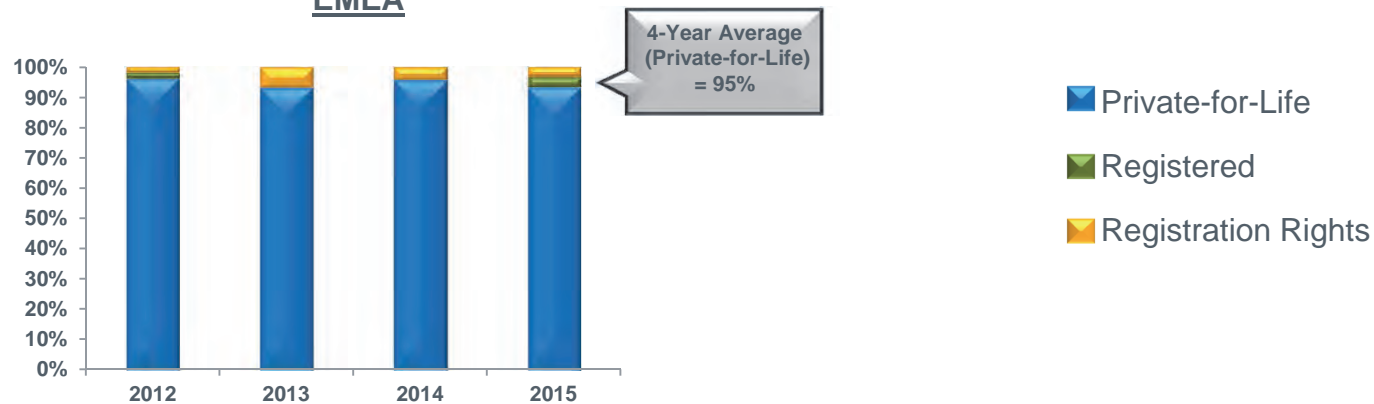
% of Deals



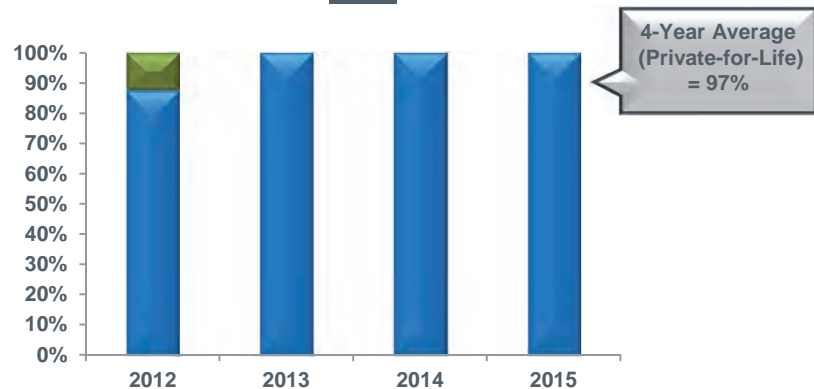
Registration Rights

Geographic Breakdown

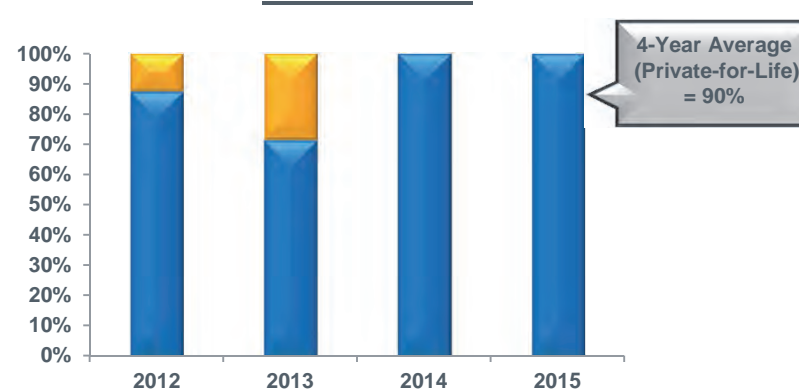
EMEA



Asia



Latin America



Registration Rights

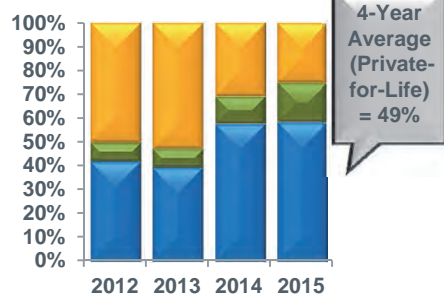
U.S. Deal Size Breakdown



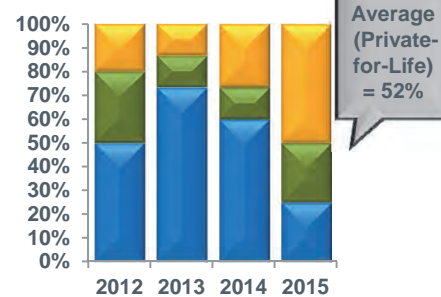
Registration Rights

U.S. Industry Breakdown

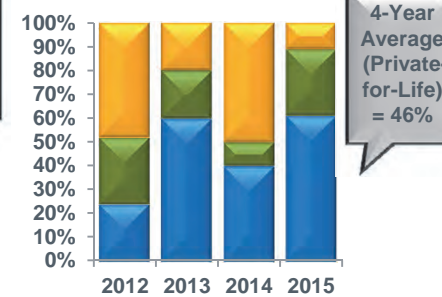
Consumer



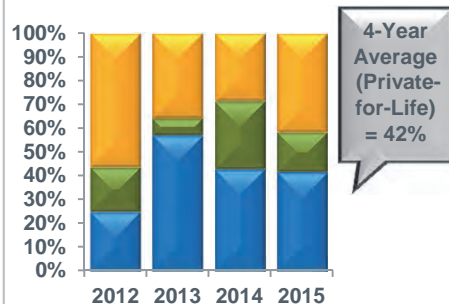
Financial Services



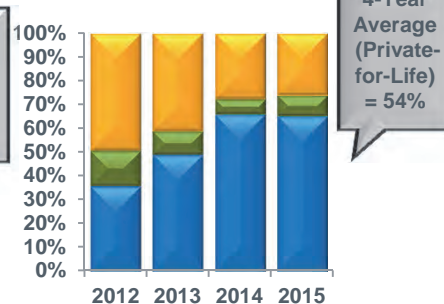
Health Care



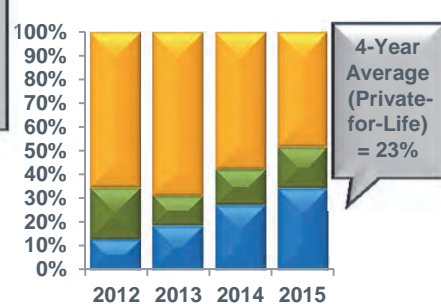
Hospitality/Gaming



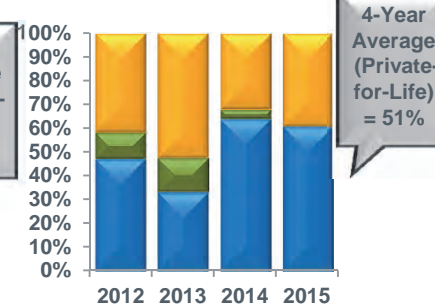
Industrials



Oil & Gas



TMT



■ Private-for-Life ■ Registered ■ Registration Rights

Registration Rights

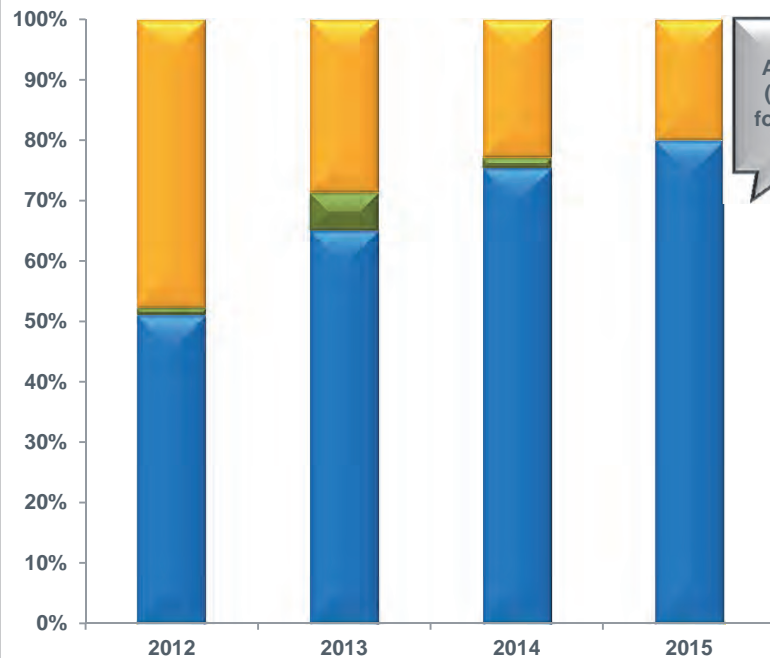
U.S. Ratings Breakdown



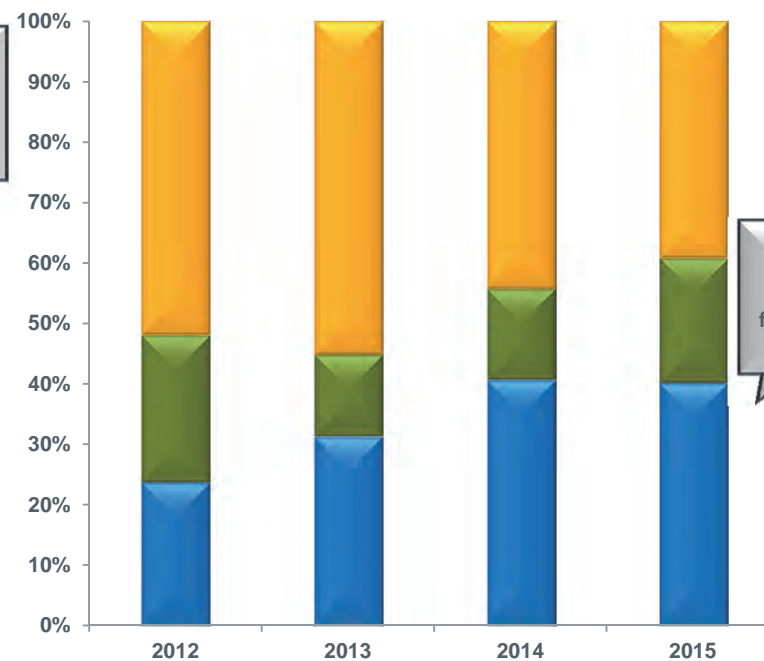
Registration Rights

U.S. Sponsor Breakdown

Sponsor



Non-Sponsor



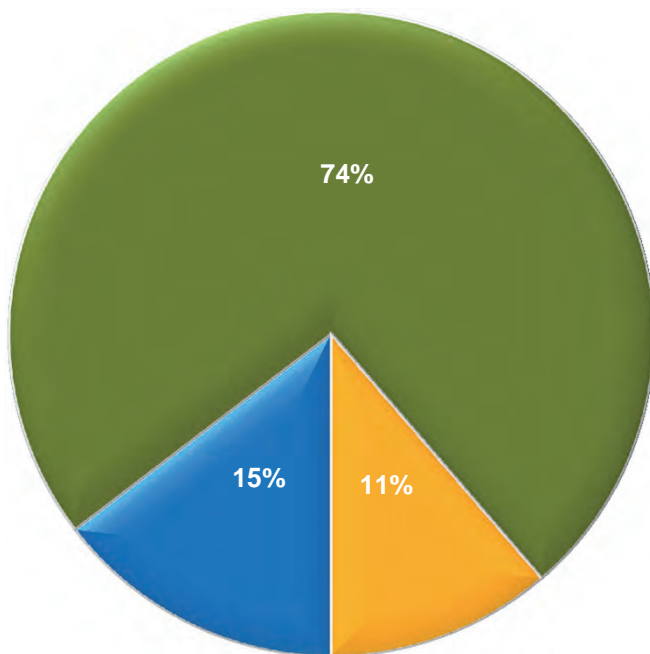
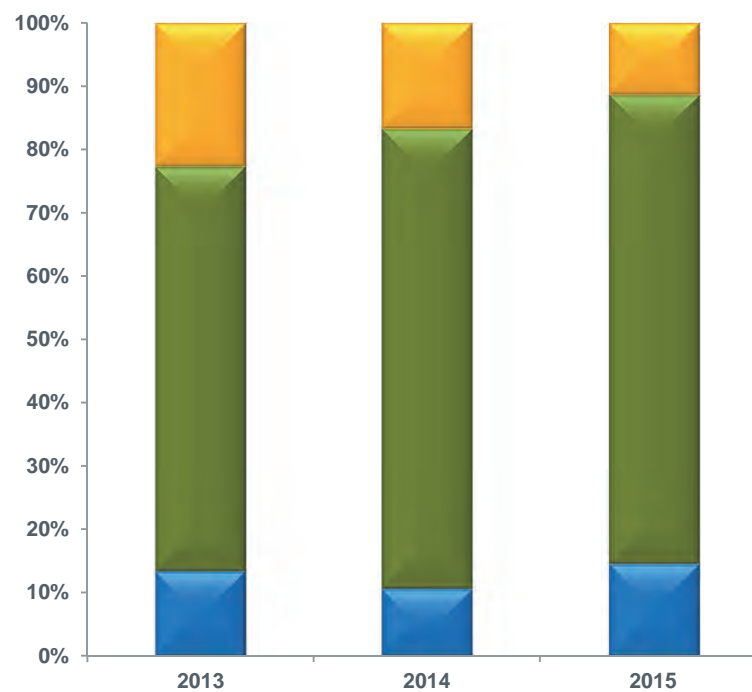
■ Private-for-Life ■ Registered ■ Registration Rights



Covenant Suspension / Fall Away

Covenant Suspension / Fall Away

% of Deals

Global 2015Global

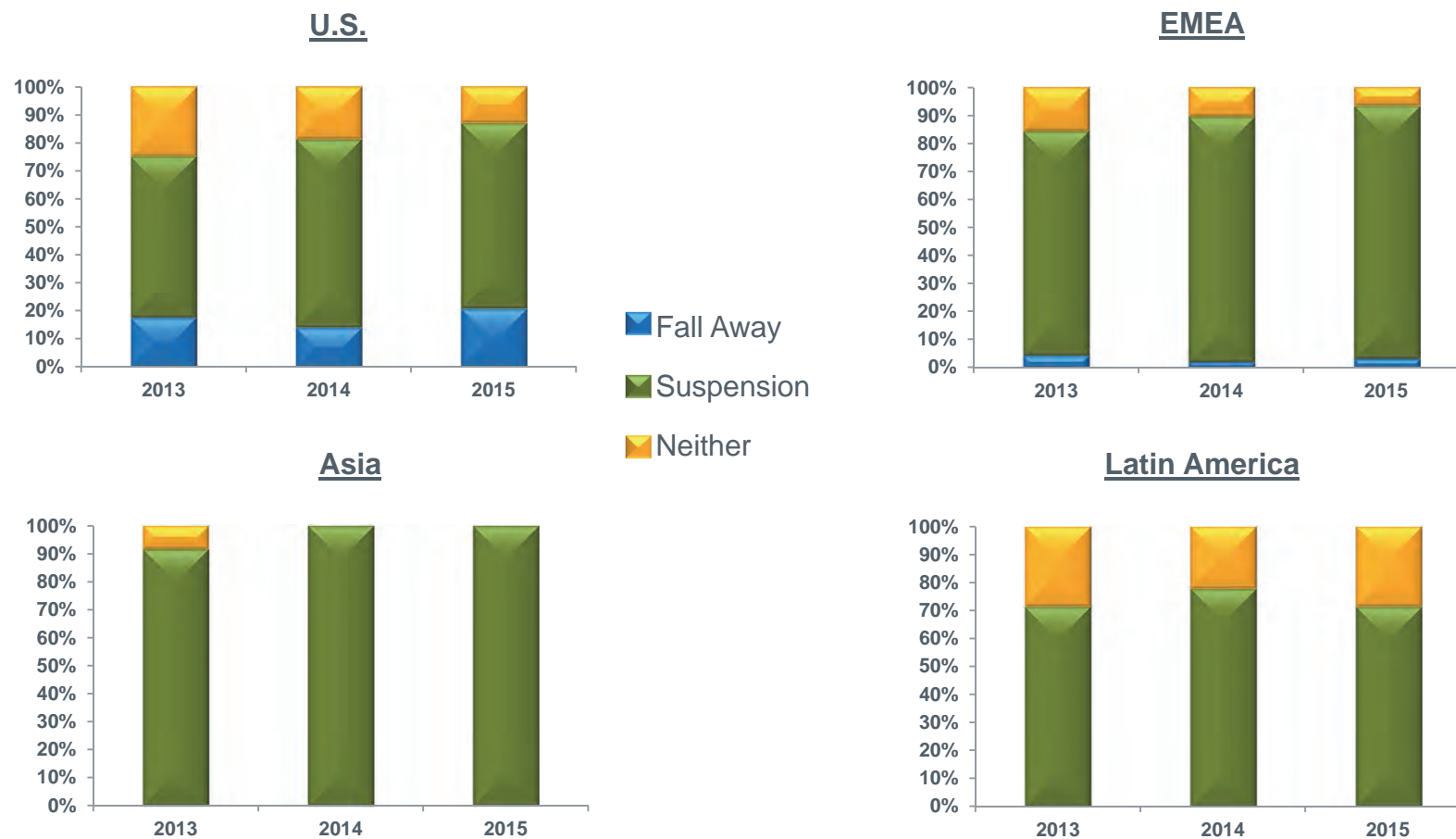
■ Fall Away

■ Suspension

■ Neither

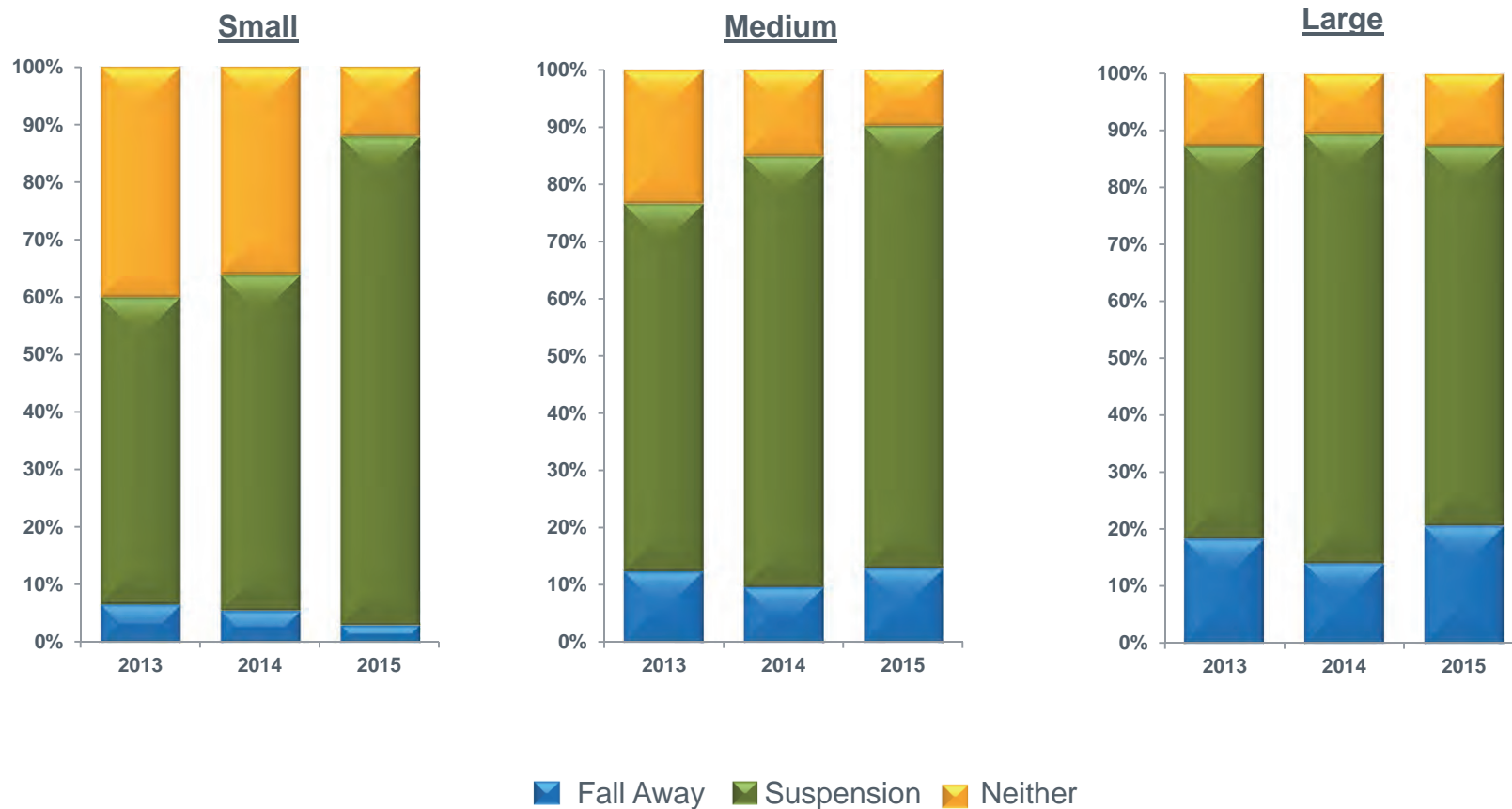
Covenant Suspension / Fall Away

Geographic Breakdown



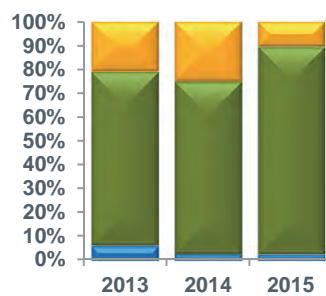
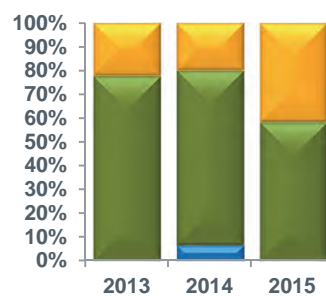
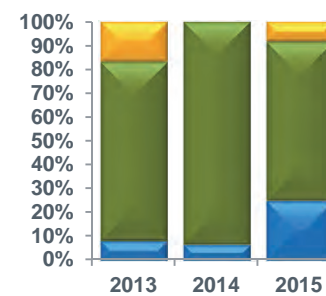
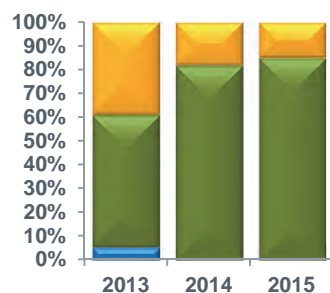
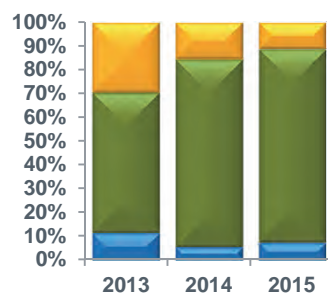
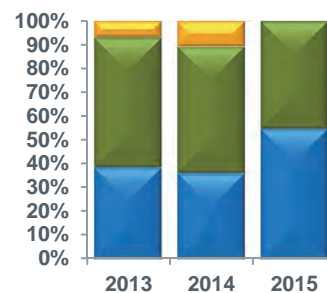
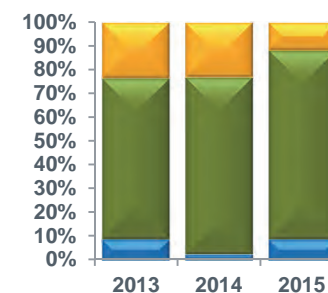
Covenant Suspension / Fall Away

Deal Size Breakdown



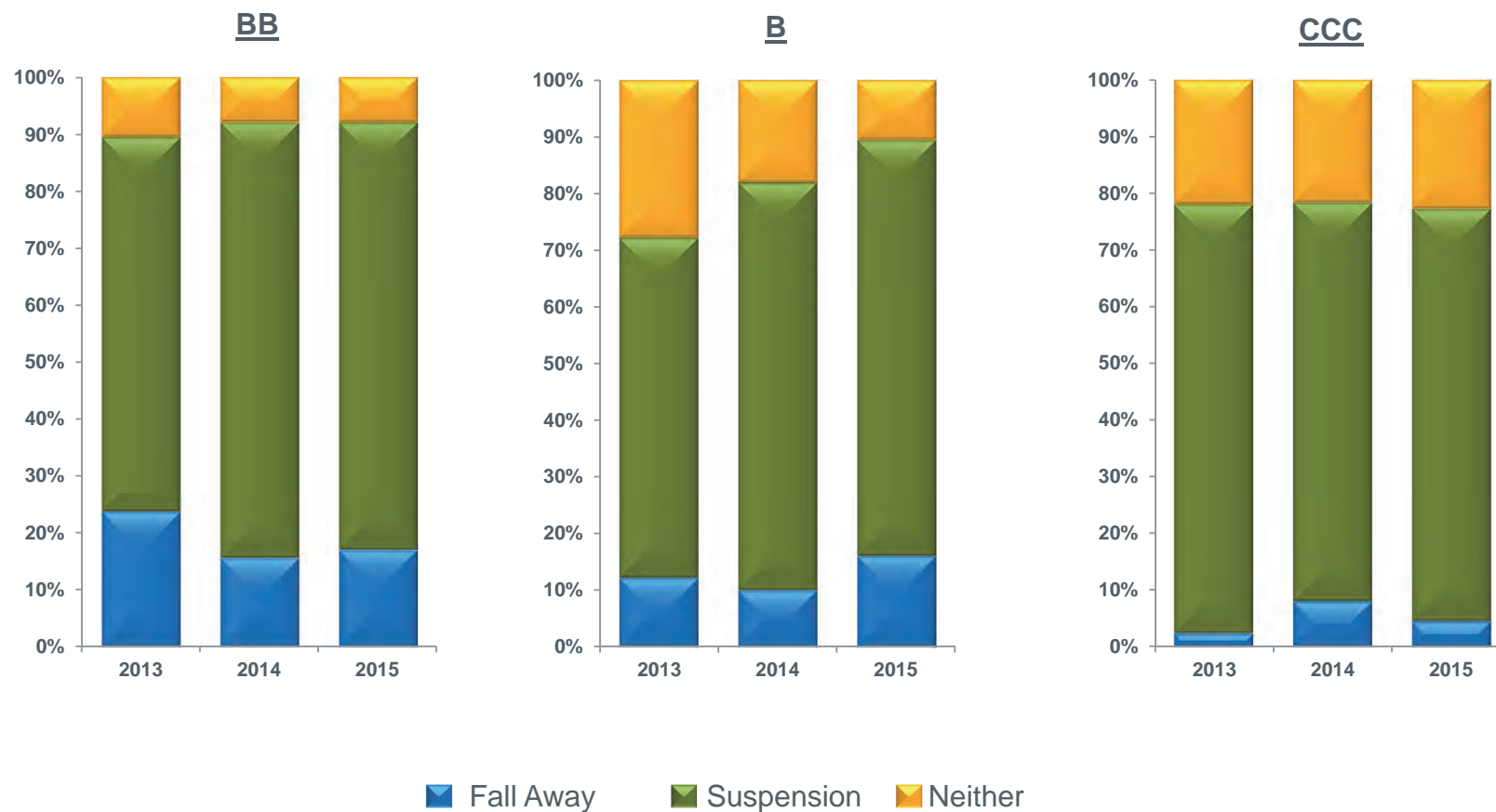
Covenant Suspension / Fall Away

Industry Breakdown

ConsumerFinancial ServicesHealth CareHospitality/GamingIndustrialsOil & GasTMT

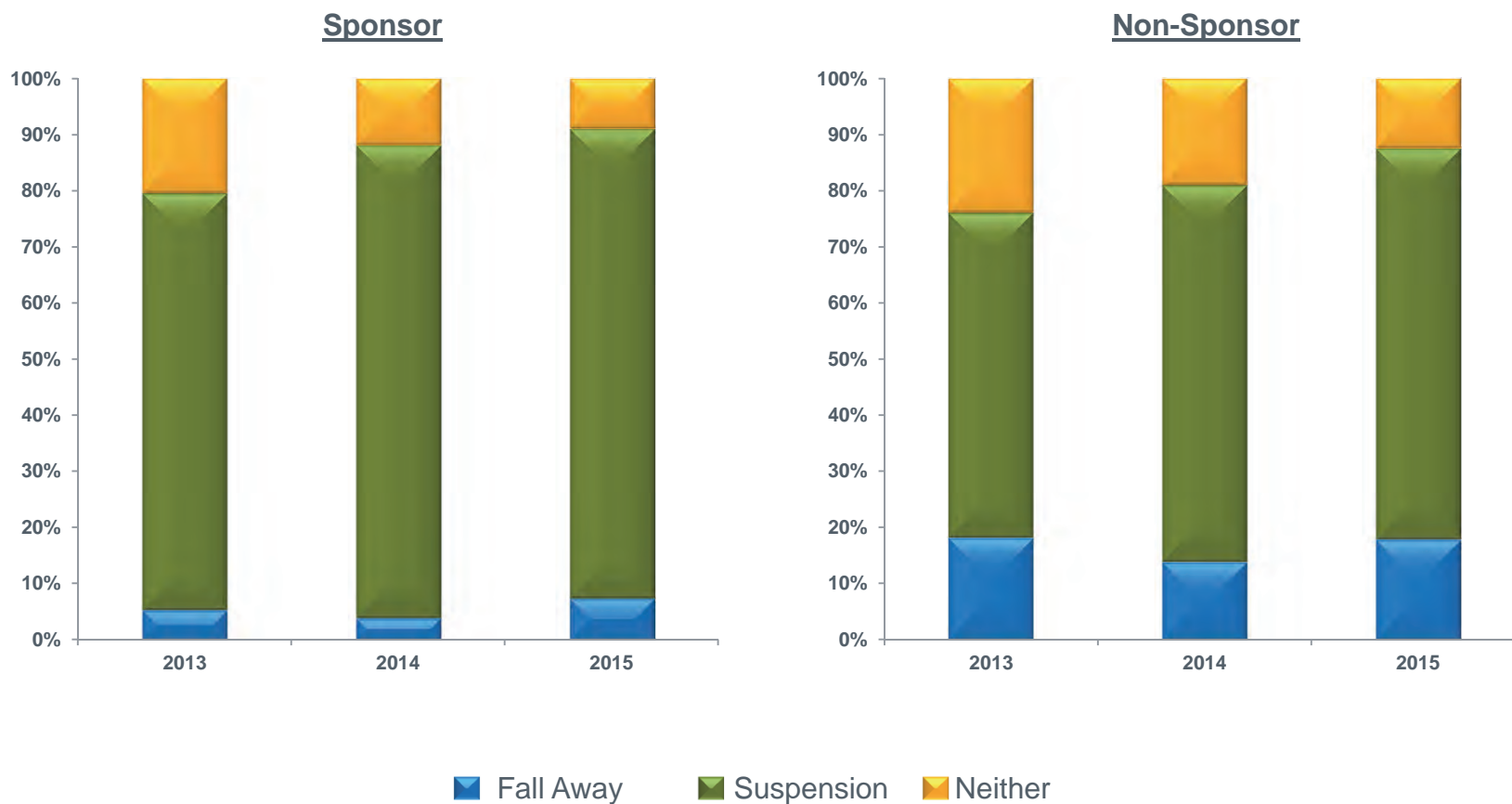
■ Fall Away ■ Suspension ■ Neither

Covenant Suspension / Fall Away Ratings Breakdown



Covenant Suspension / Fall Away

Sponsor Breakdown

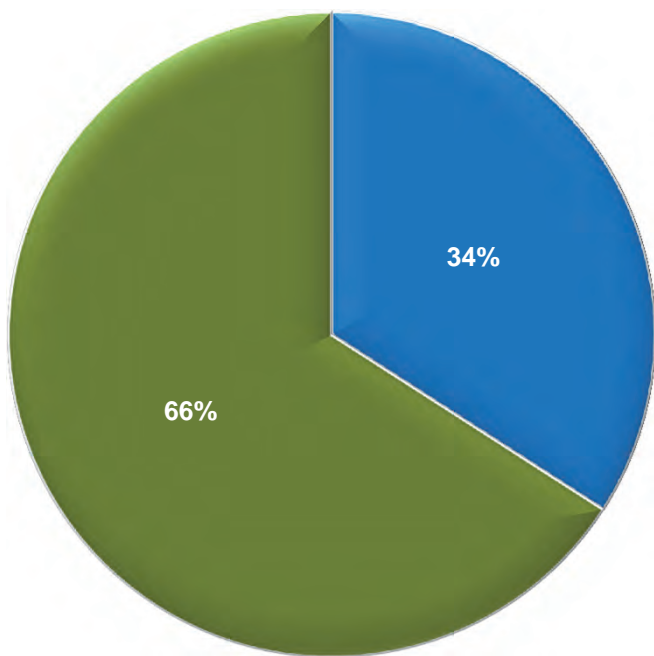




Collateral

Secured vs. Unsecured % of Deals

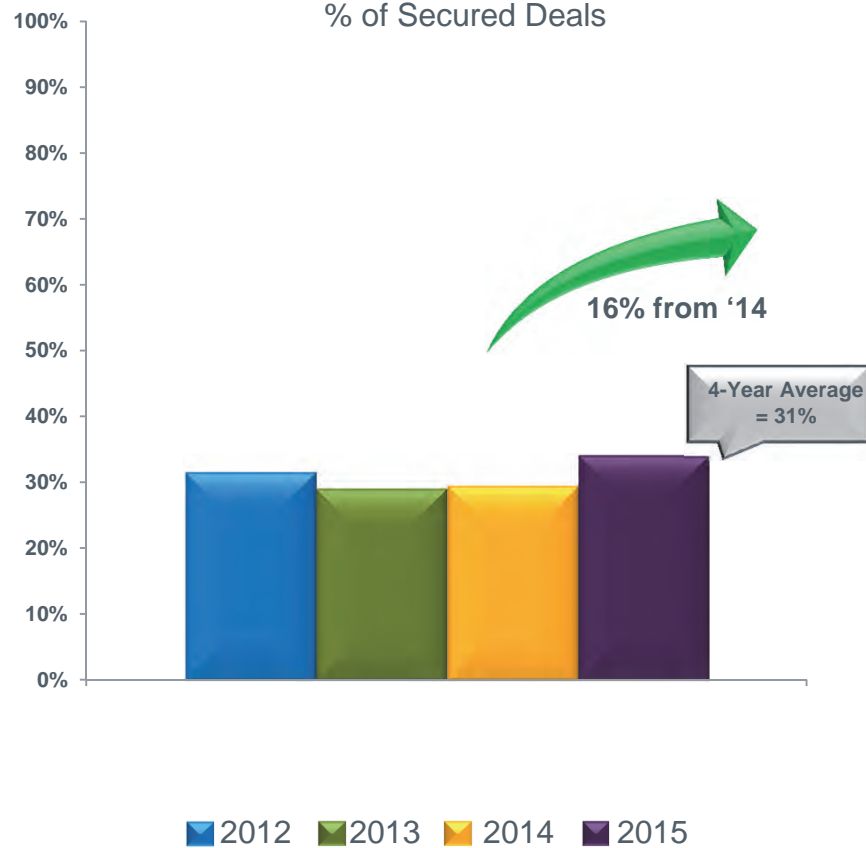
Global 2015



■ Secured ■ Unsecured

Global

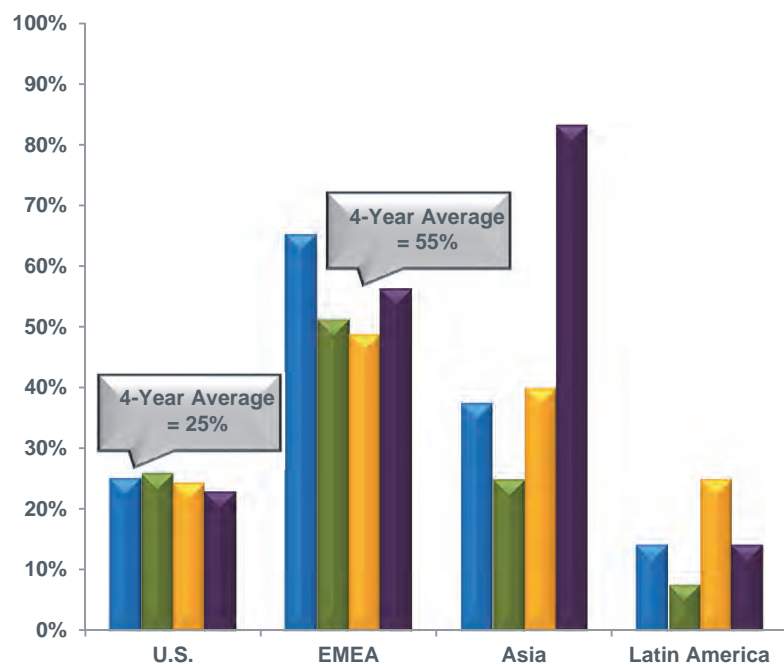
% of Secured Deals



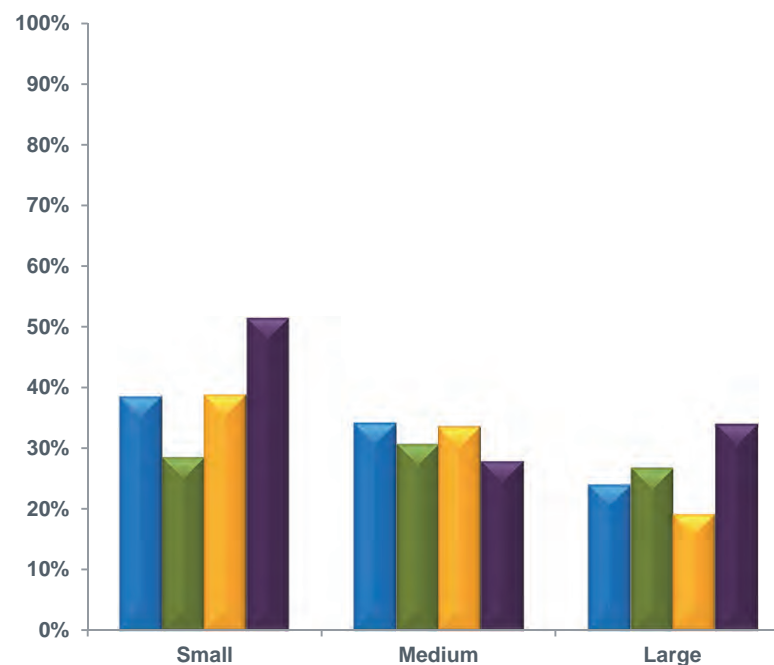
Secured vs. Unsecured

% of Secured Deals

Geography



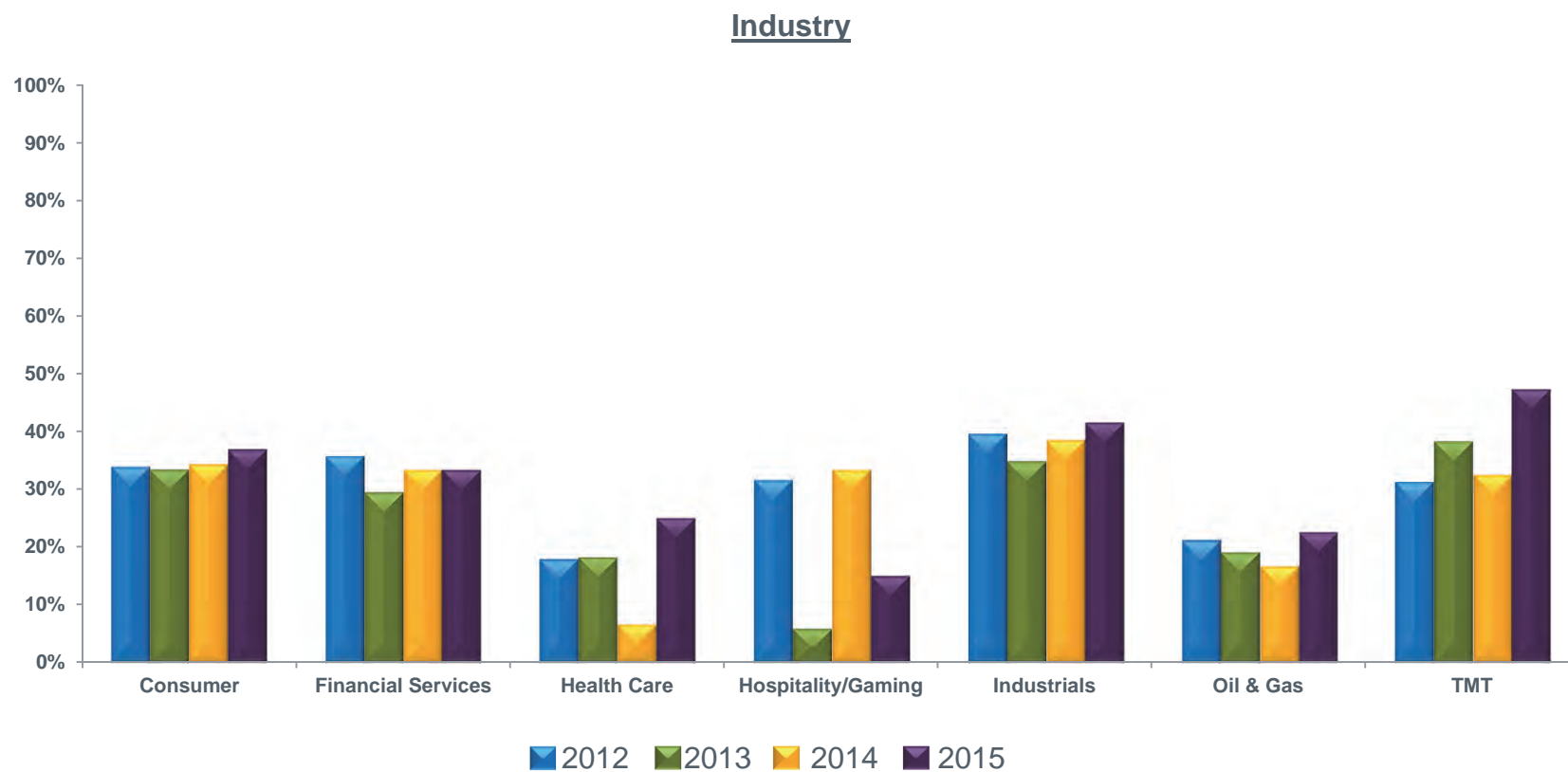
Deal Size



■ 2012 ■ 2013 ■ 2014 ■ 2015

Secured vs. Unsecured

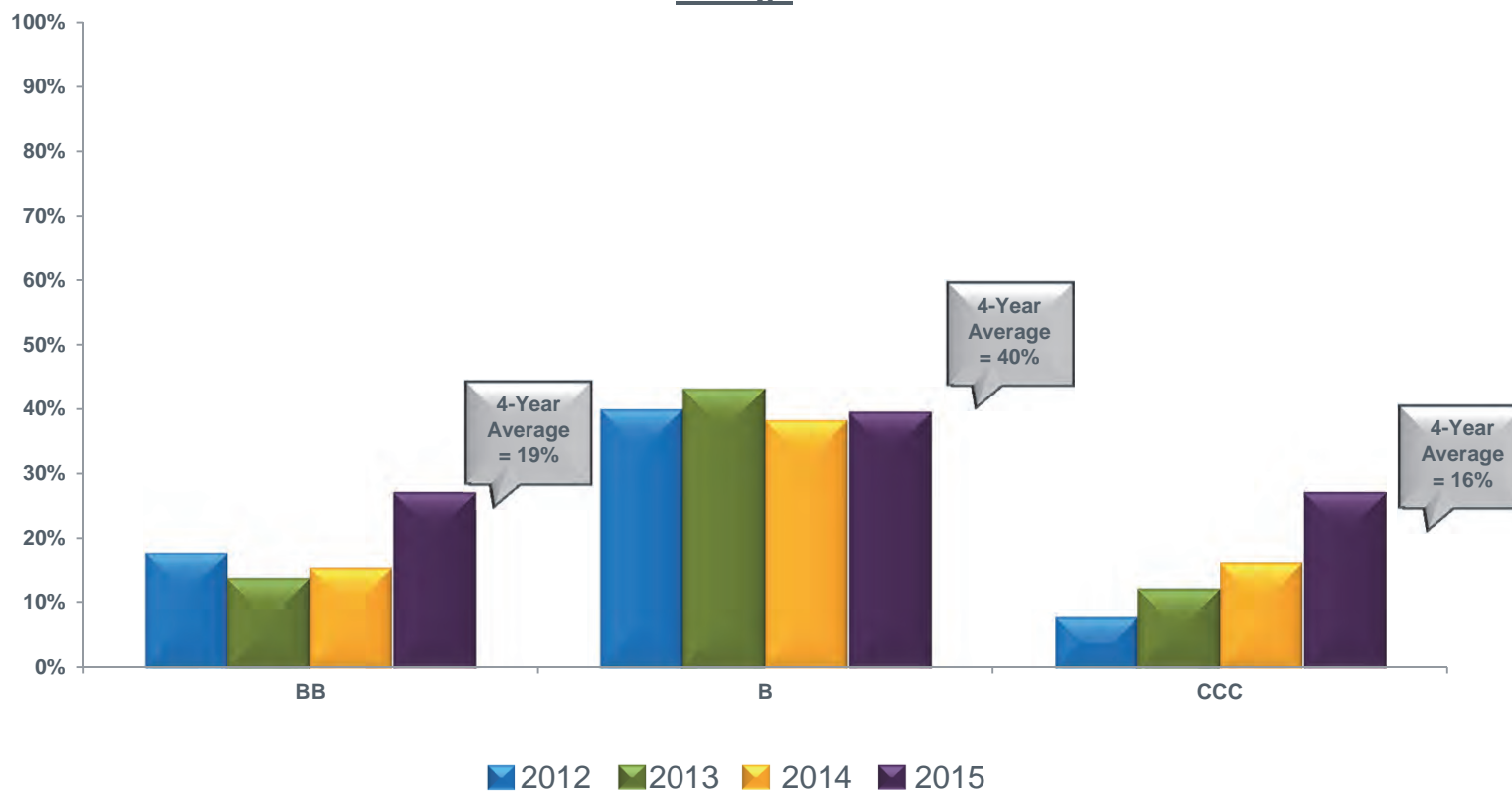
% of Secured Deals



Secured vs. Unsecured

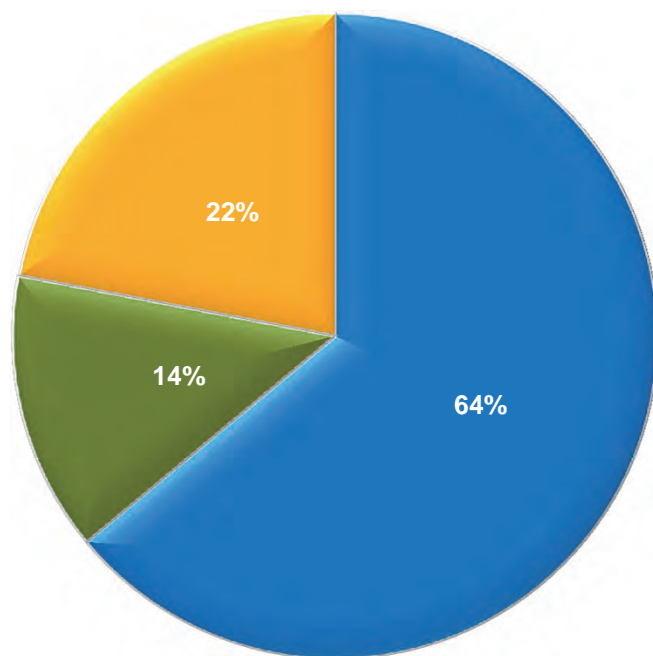
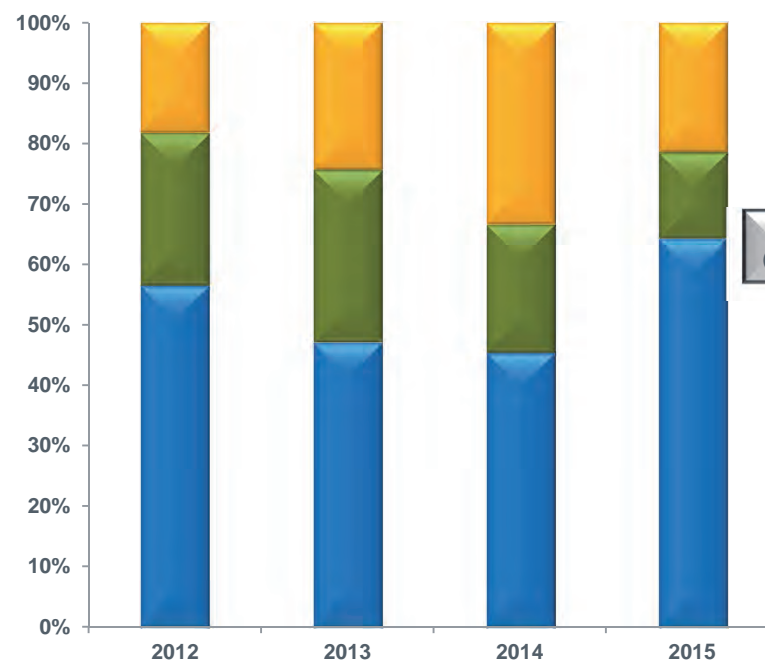
% of Secured Deals

Ratings



Priority of Collateral Package

% of Secured Deals

Global 2015Global

4-Year Average
(First Lien) = 53%

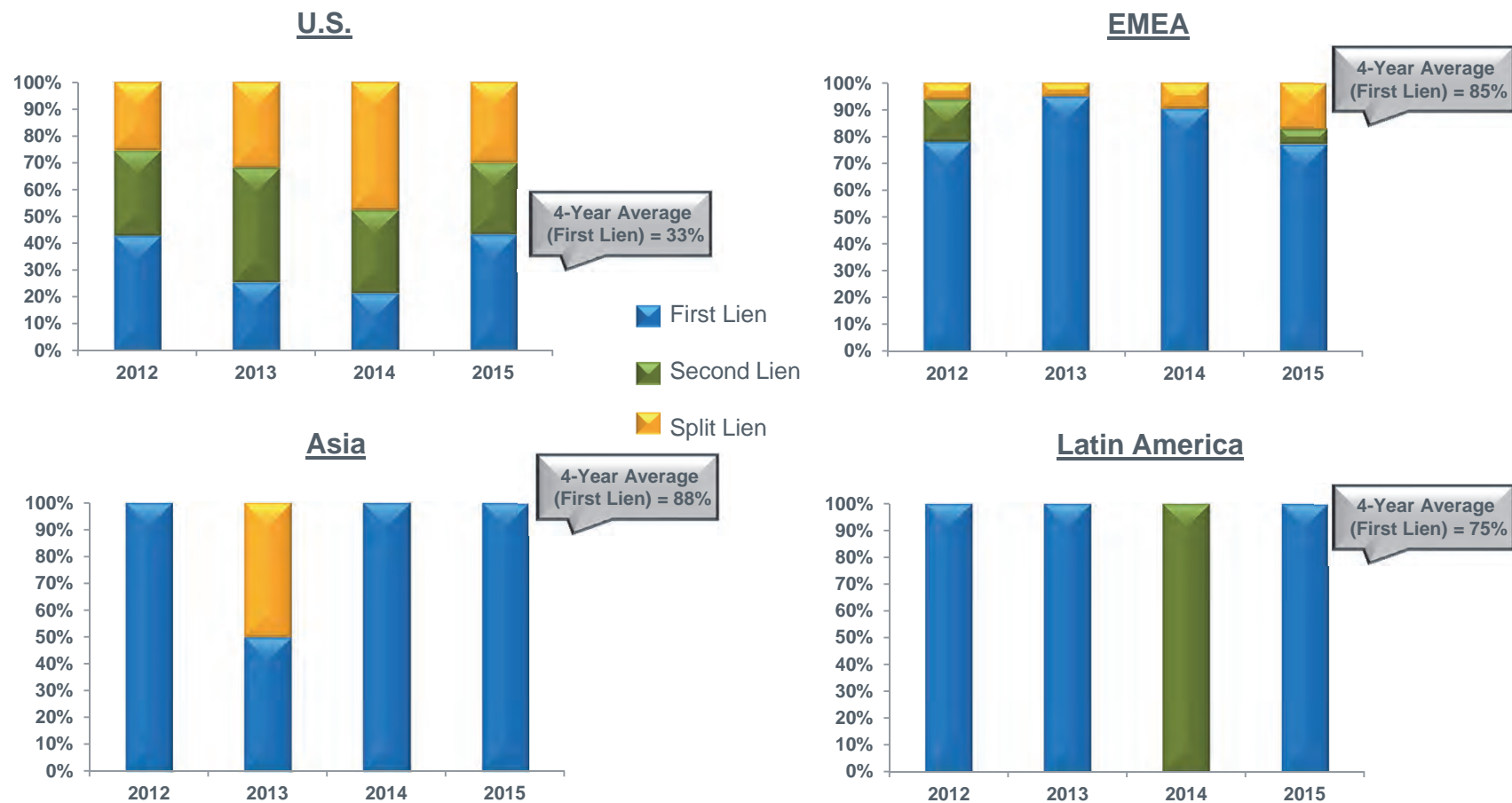
■ First Lien

■ Second Lien

■ Split Lien

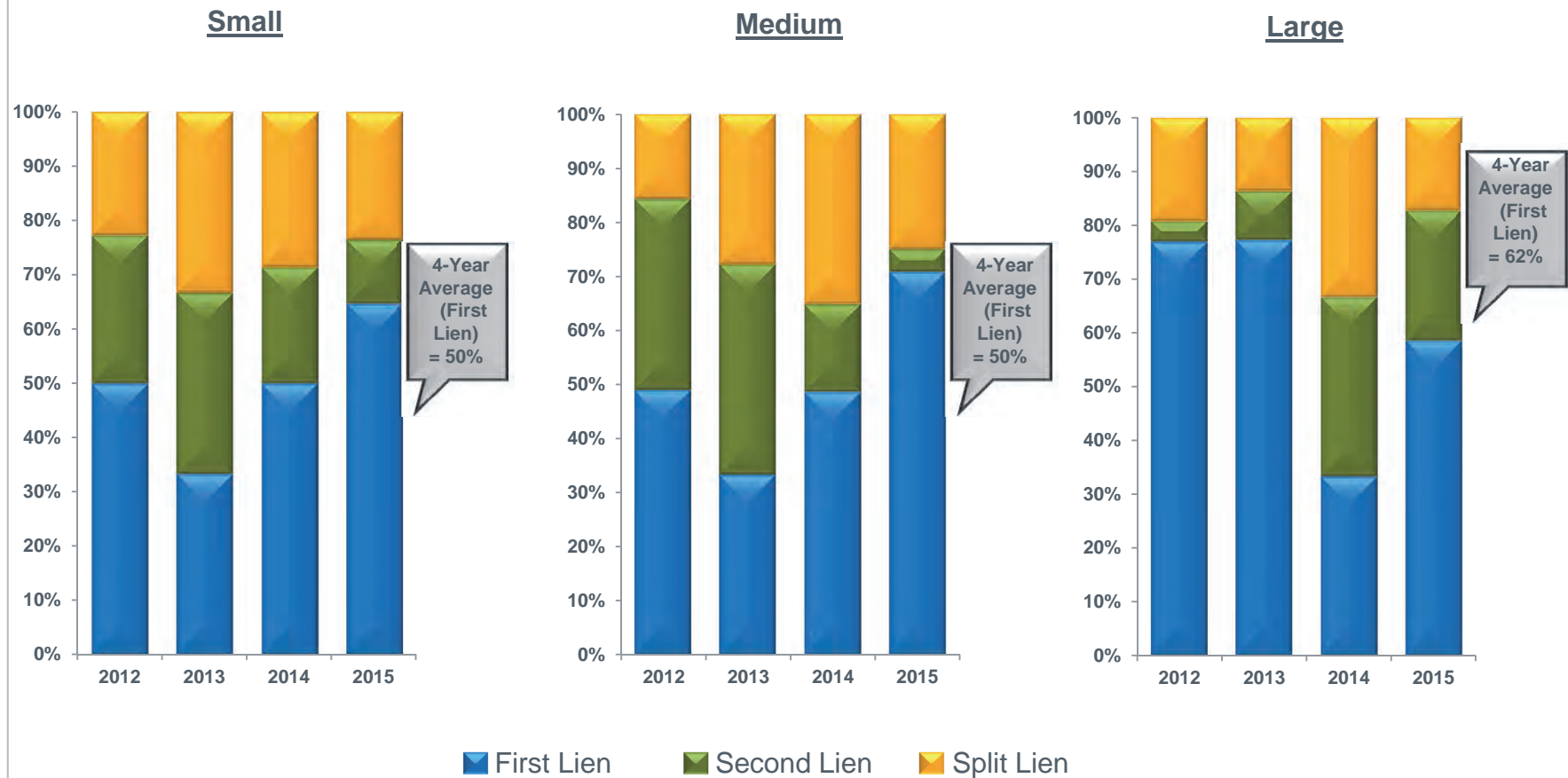
Priority of Collateral Package

Geographic Breakdown



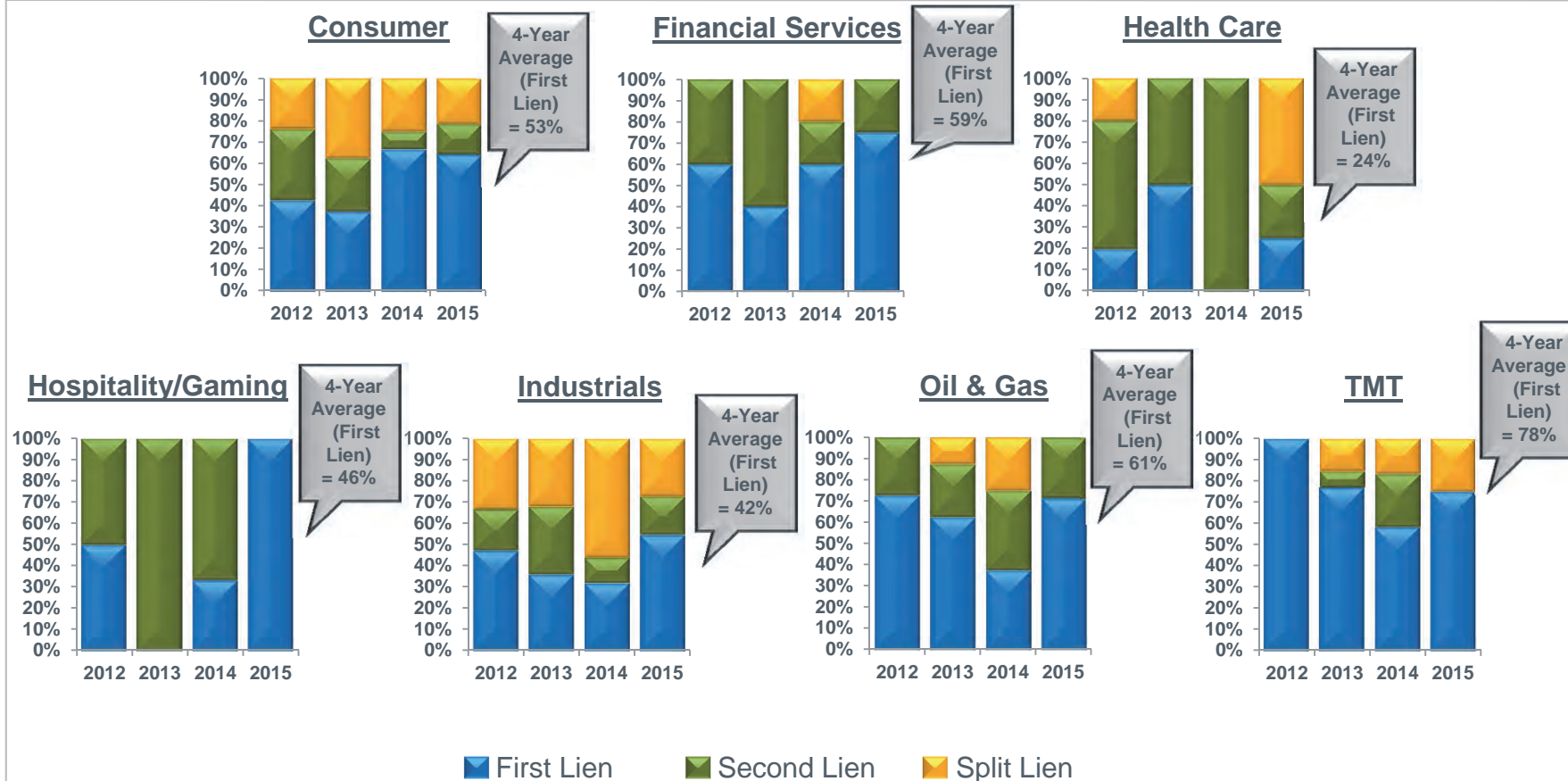
Priority of Collateral Package

Deal Size Breakdown

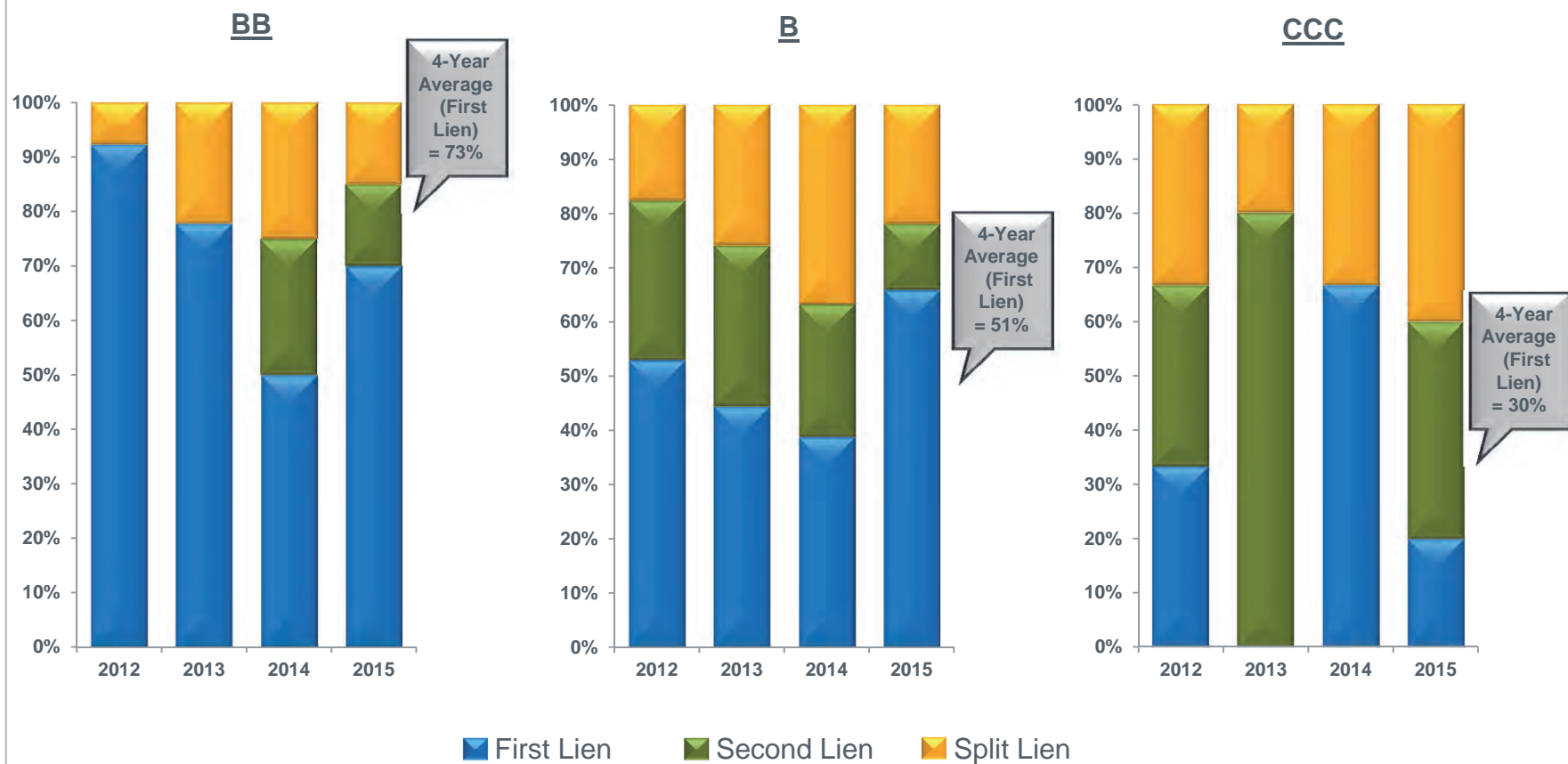


Priority of Collateral Package

Industry Breakdown

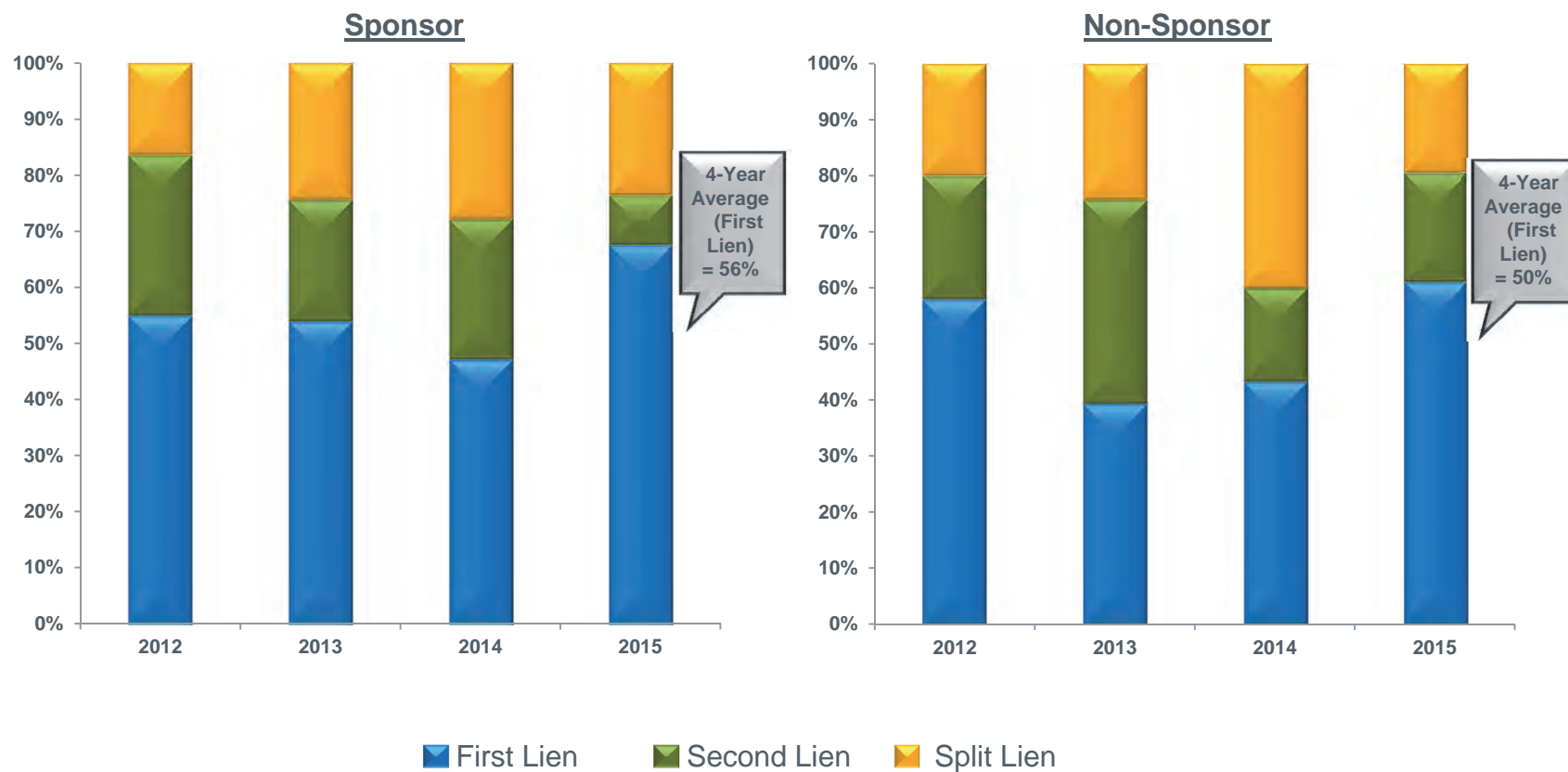


Priority of Collateral Package Ratings Breakdown



Priority of Collateral Package

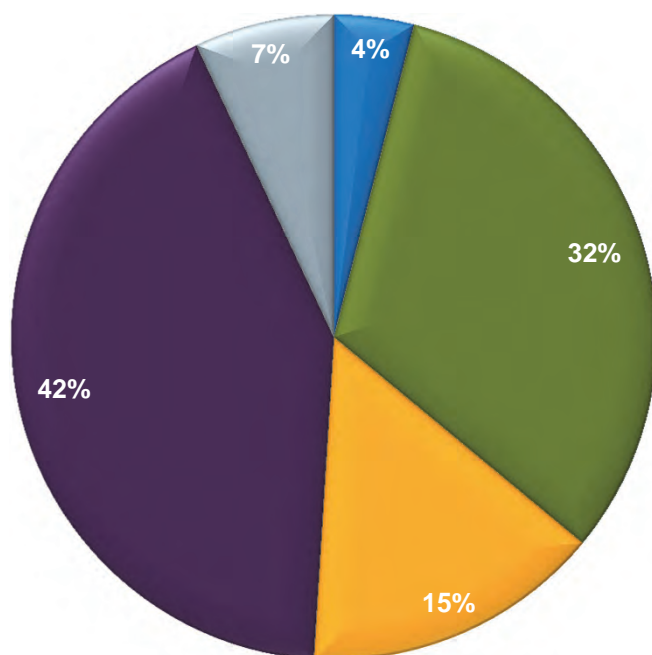
Sponsor Breakdown



Voting Requirement to Release All or Substantially All Collateral

% of Deals

Global 2015



Majority

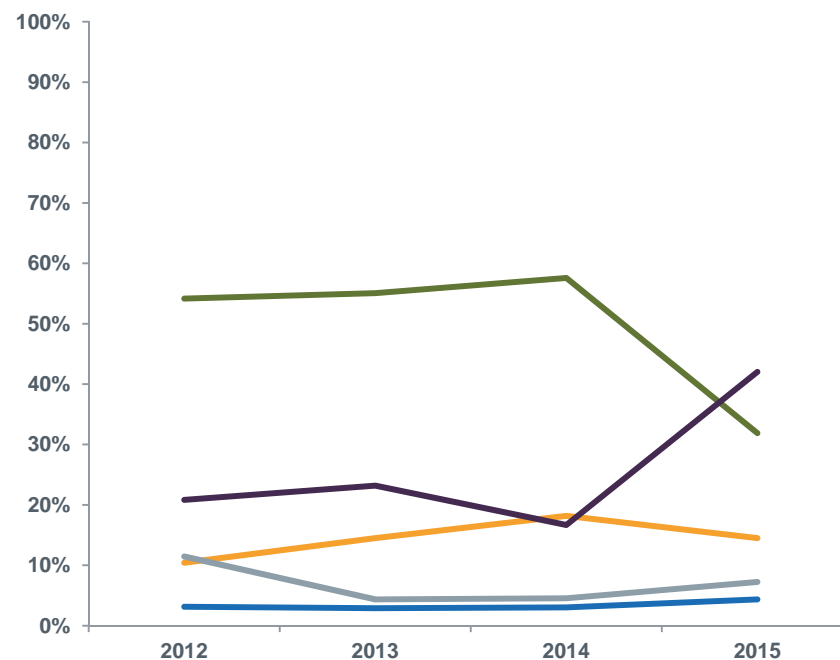
66 2/3%

75%

90-95%

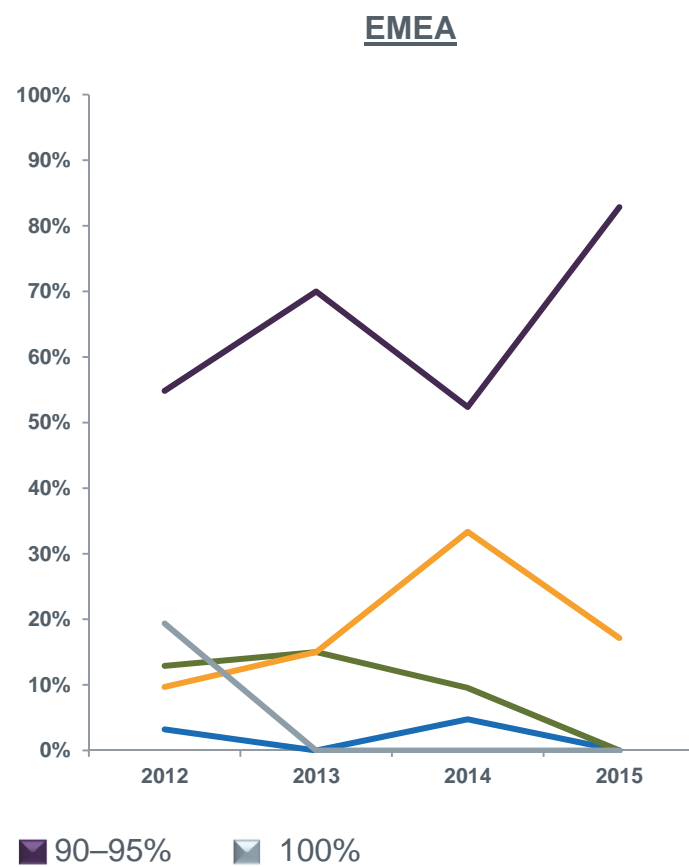
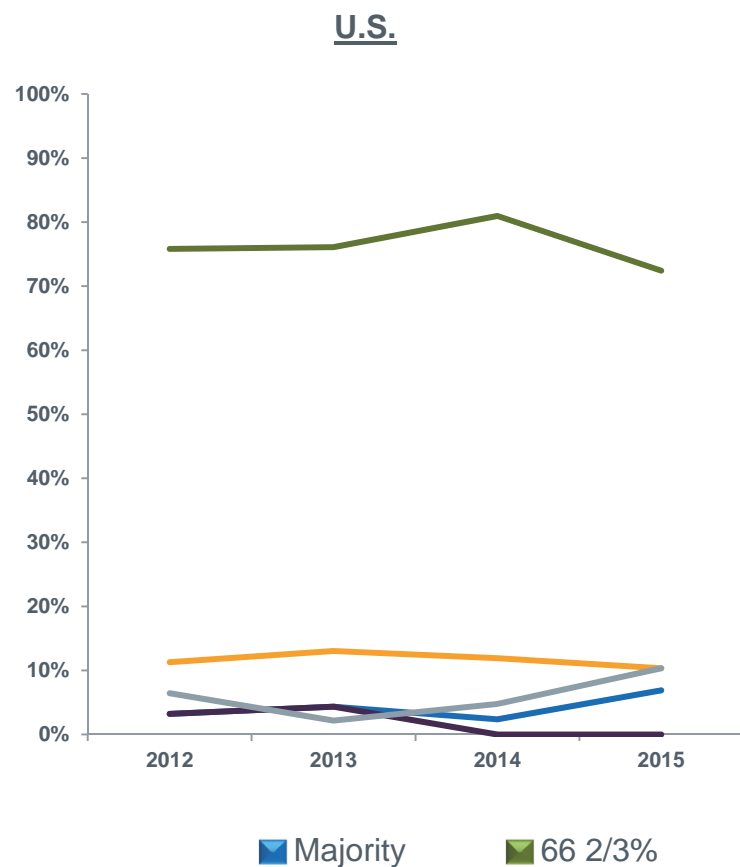
100%

Global



Voting Requirement to Release All or Substantially All Collateral

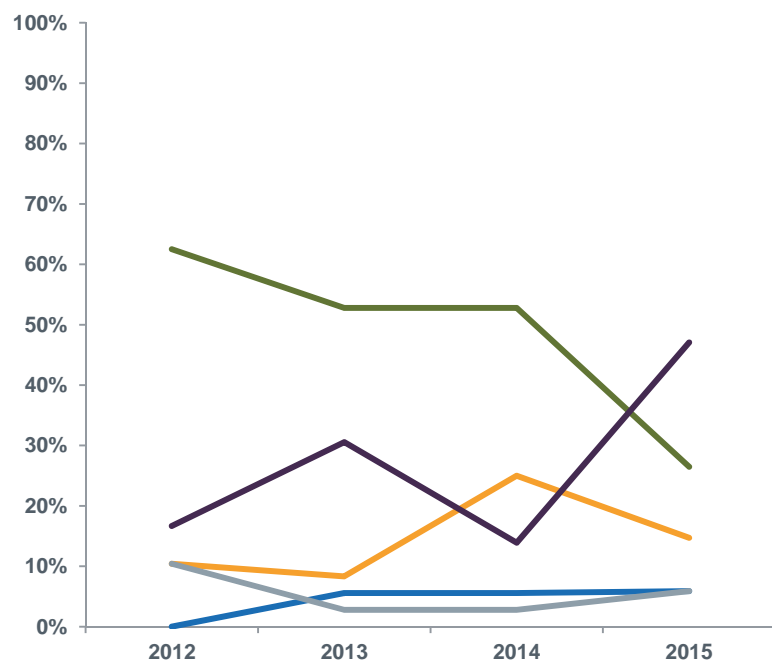
Geographic Breakdown



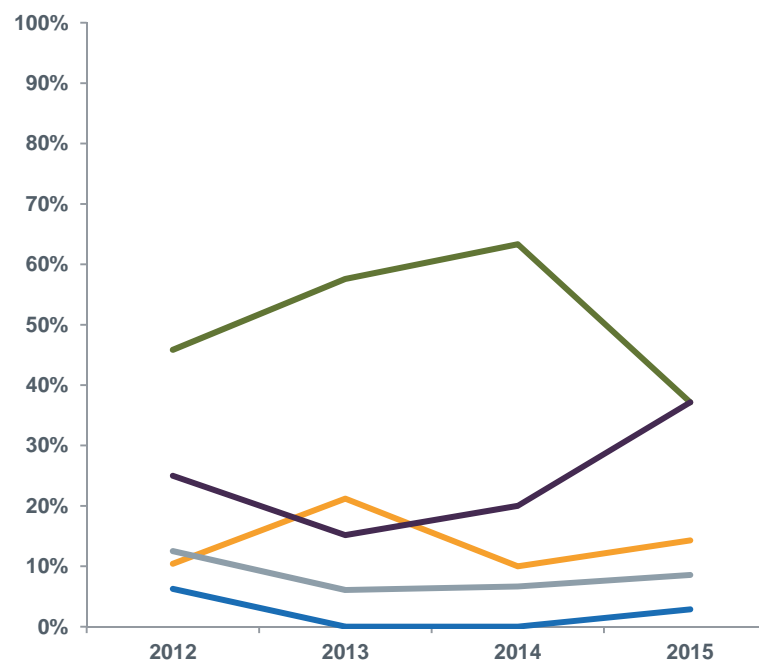
Voting Requirement to Release All or Substantially All Collateral

Sponsor Breakdown

Sponsor



Non-Sponsor



■ Majority

■ 66 2/3%

■ 75%

■ 90-95%

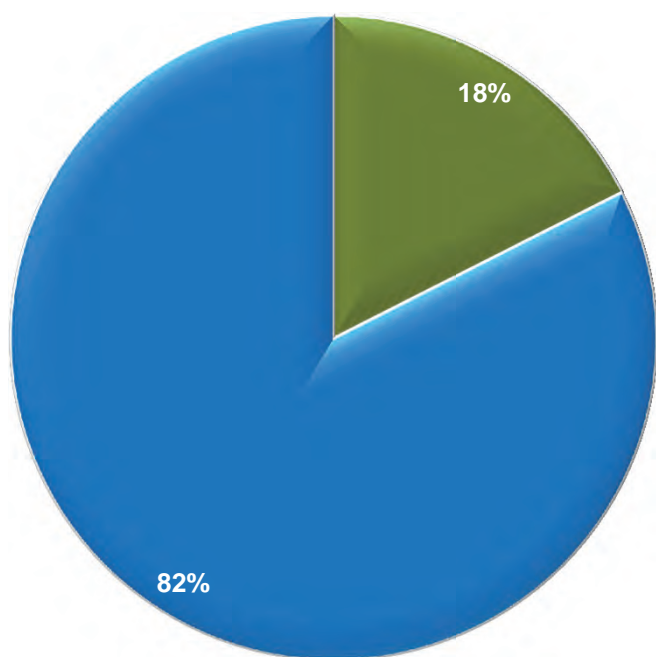
■ 100%



Events of Default

Required Percentage to Accelerate % of Deals

Global 2015

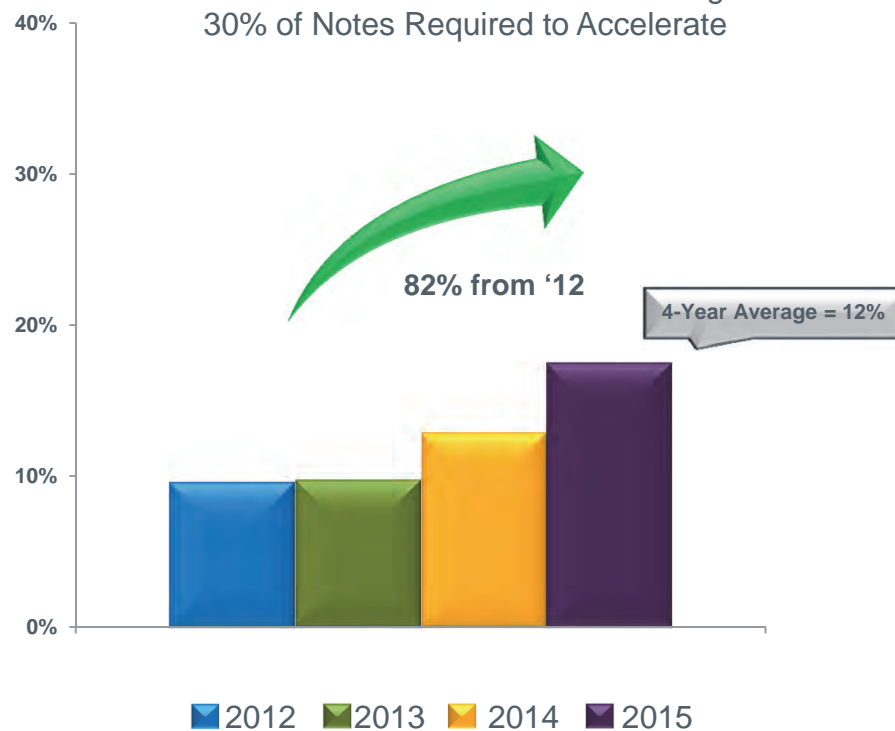


25%

30%

Global

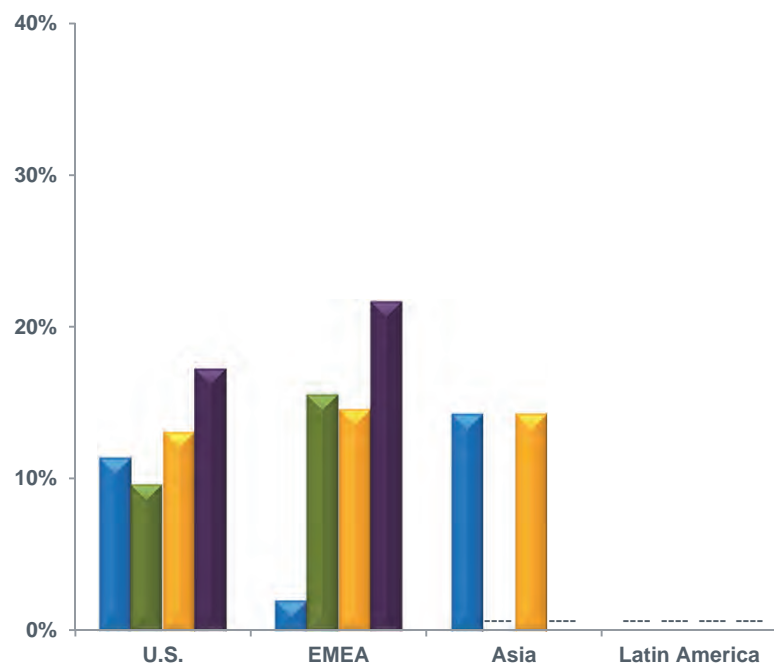
% of Deals with Noteholders Holding
30% of Notes Required to Accelerate



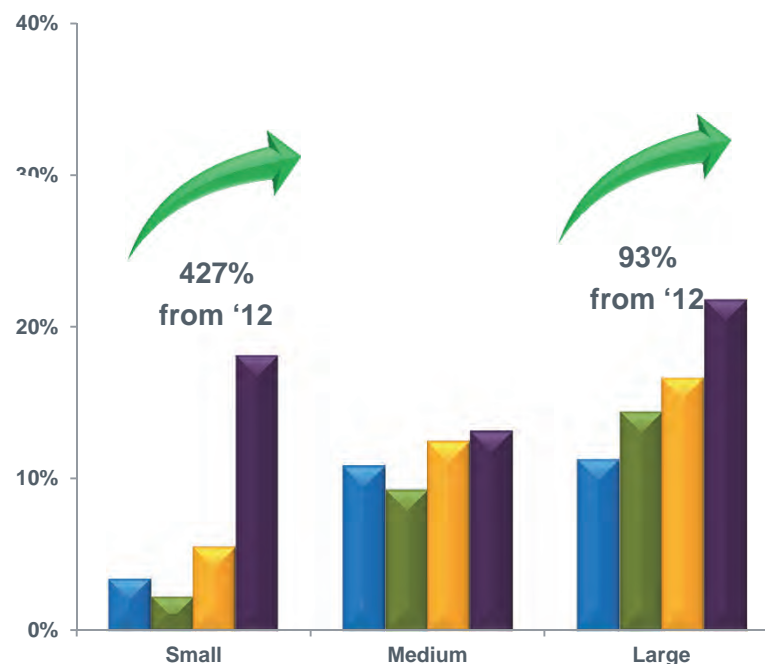
Required Percentage to Accelerate

% of Deals with Noteholders Holding 30% of Notes Required to Accelerate

Geography



Deal Size

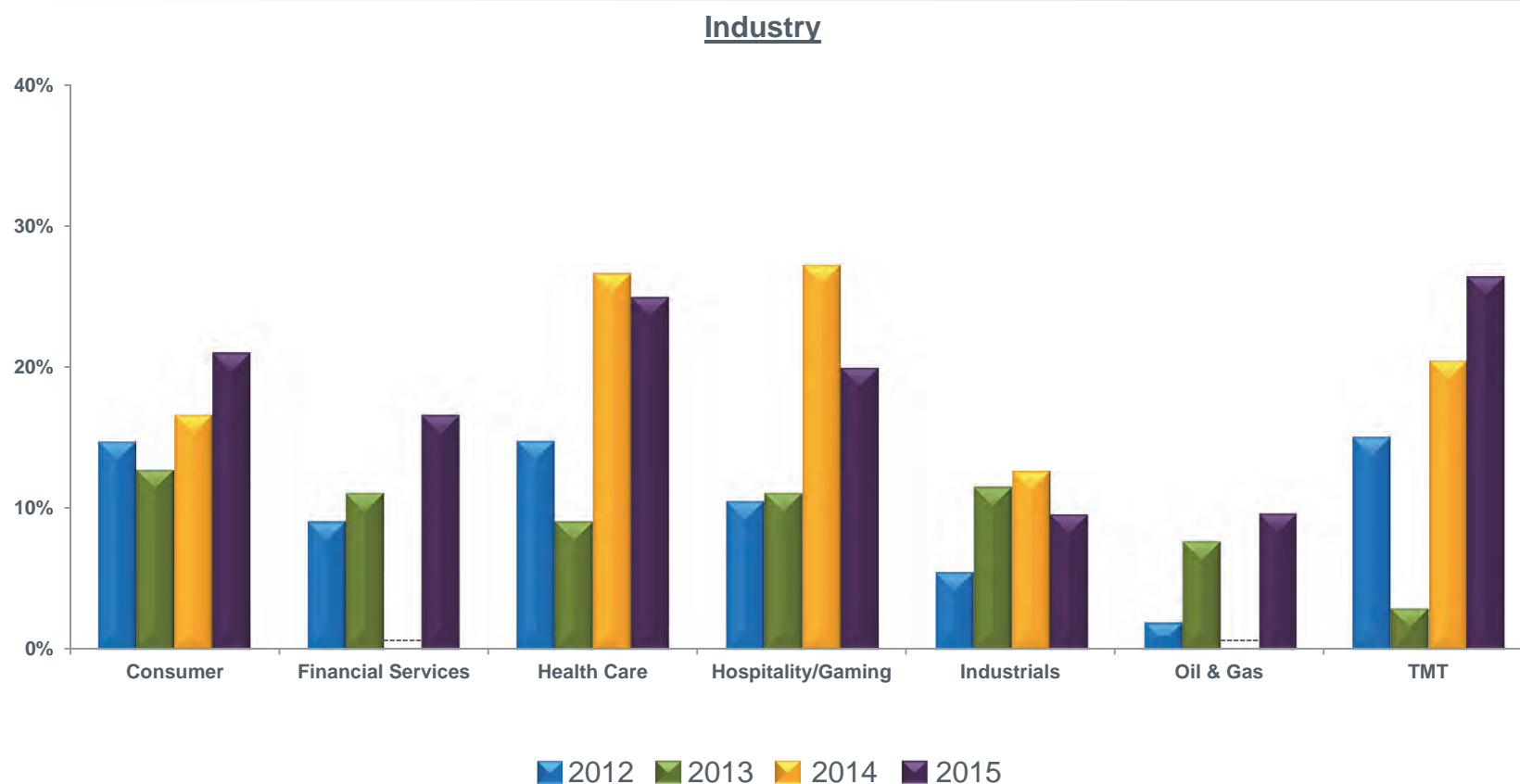


2012 2013 2014 2015

----- Indicates no reviewed deals contained term

Required Percentage to Accelerate

% of Deals with Noteholders Holding 30% of Notes Required to Accelerate

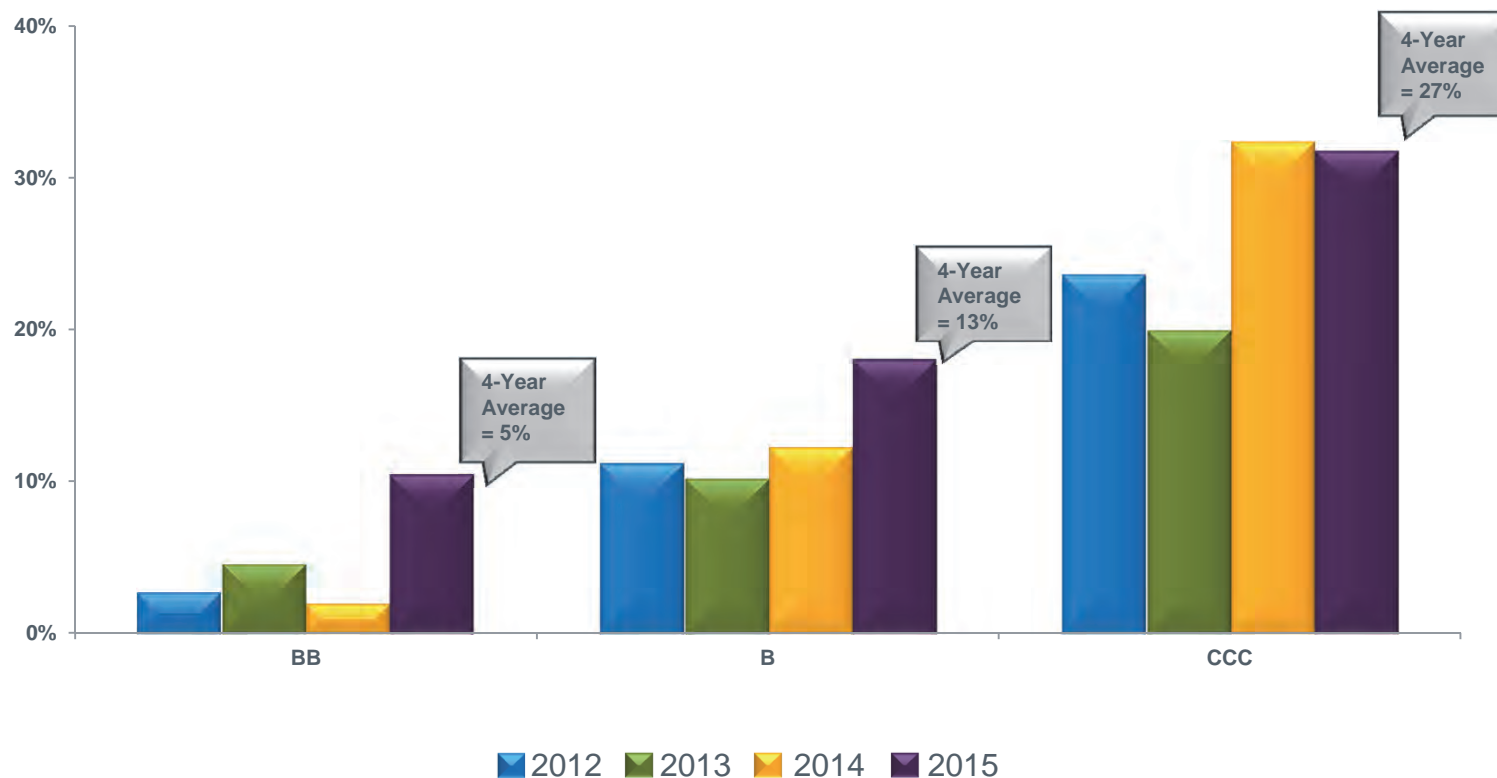


----- Indicates no reviewed deals contained term

Required Percentage to Accelerate

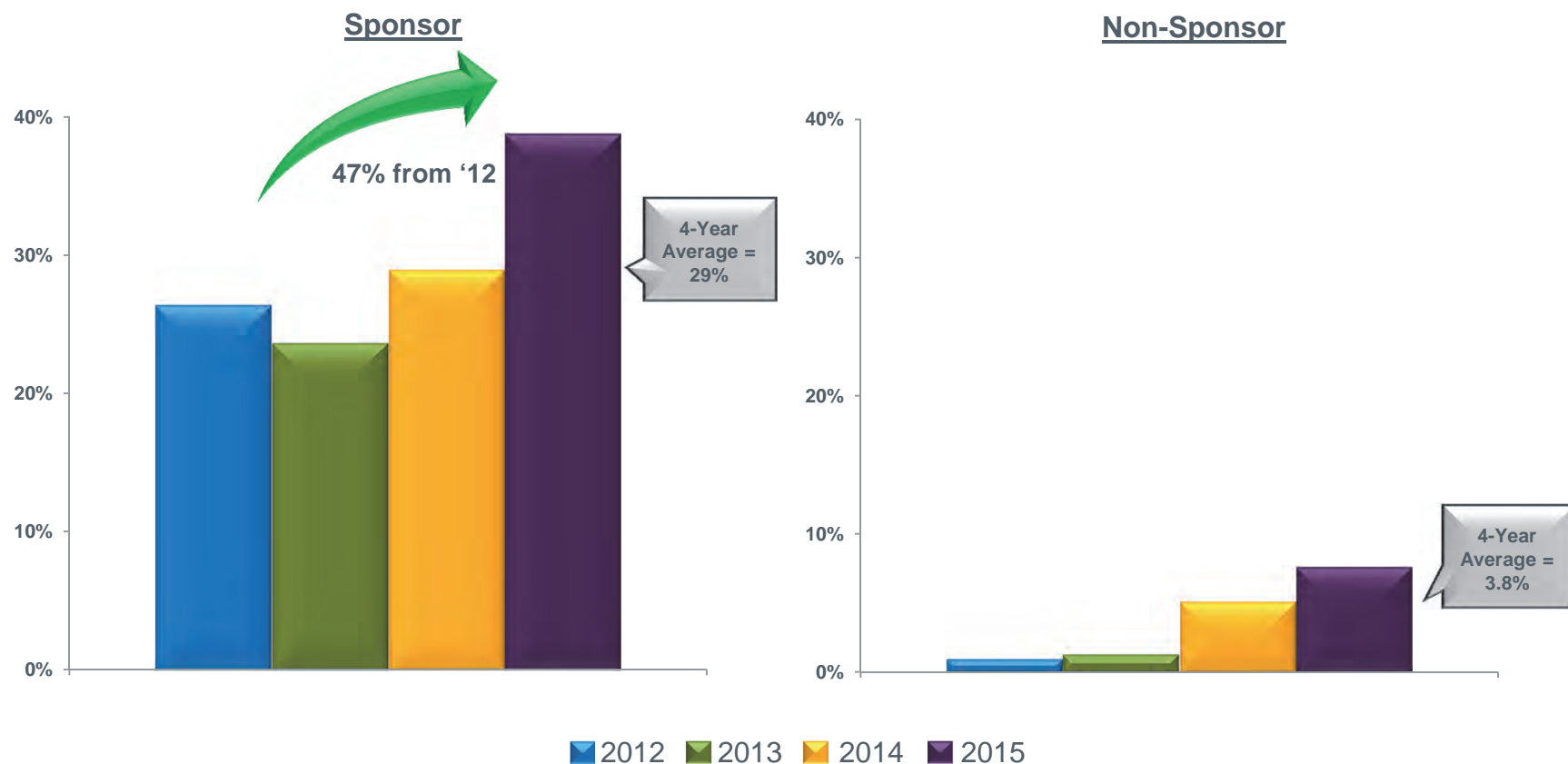
% of Deals with Noteholders Holding 30% of Notes Required to Accelerate

Ratings



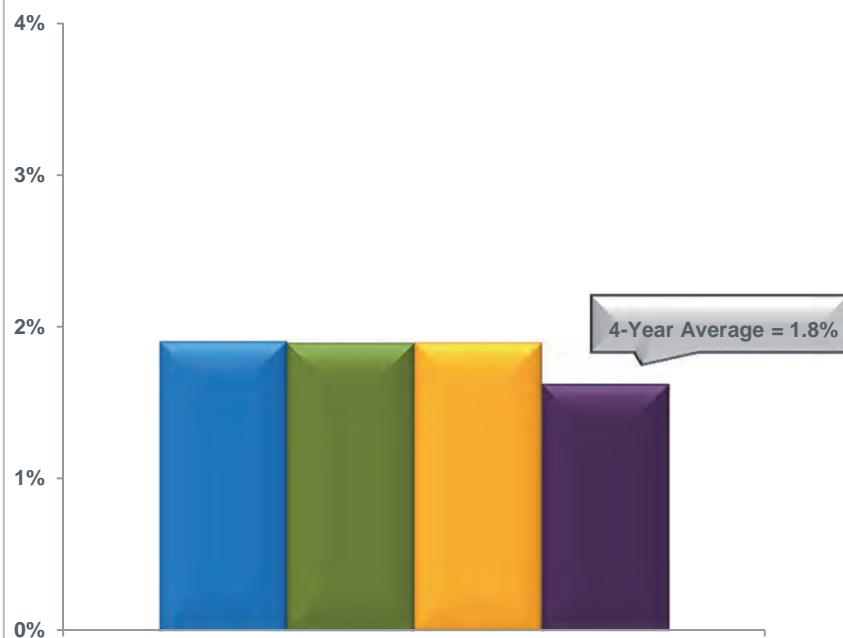
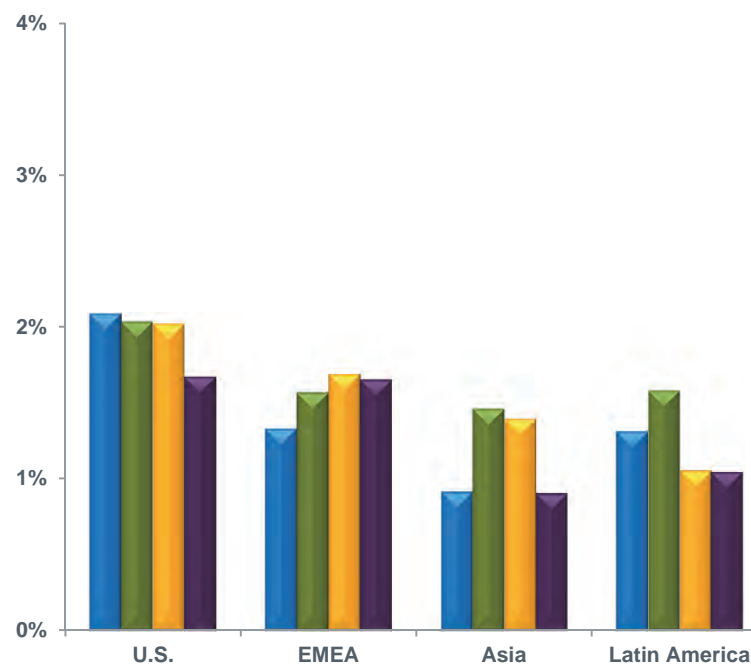
Required Percentage to Accelerate

% of Deals with Noteholders Holding 30% of Notes Required to Accelerate



Cross-Acceleration Threshold

% of Total Assets

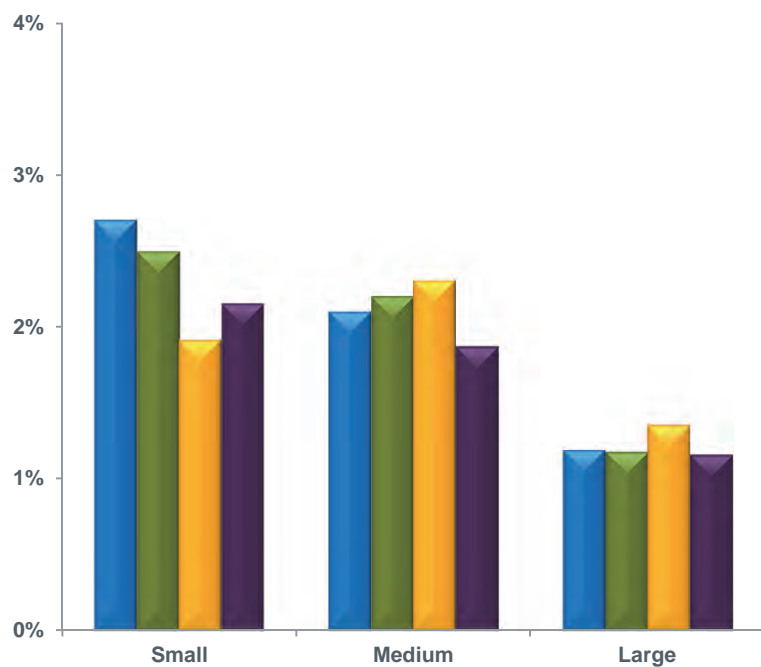
GlobalGeography

■ 2012 ■ 2013 ■ 2014 ■ 2015

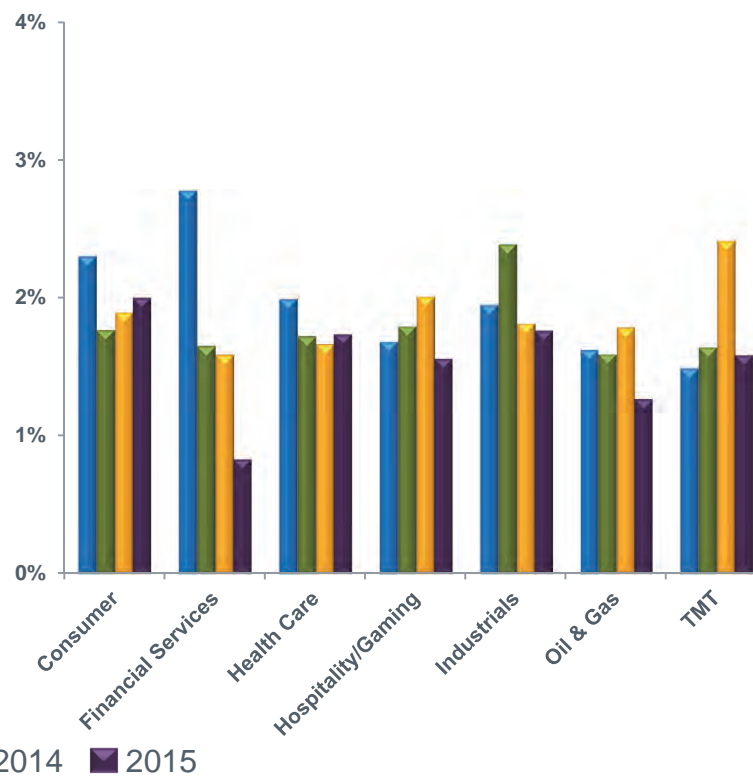
Cross-Acceleration Threshold

% of Total Assets

Deal Size



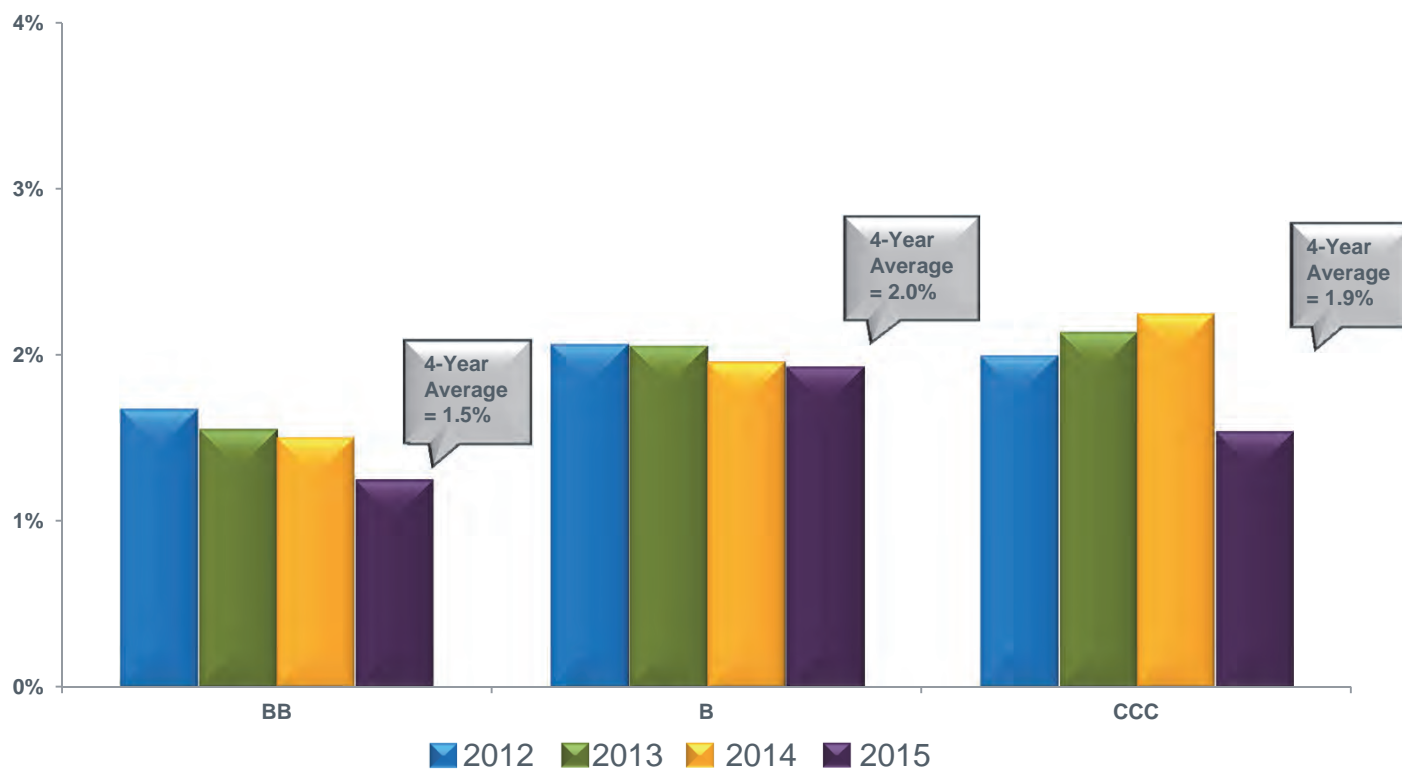
Industry



■ 2012 ■ 2013 ■ 2014 ■ 2015

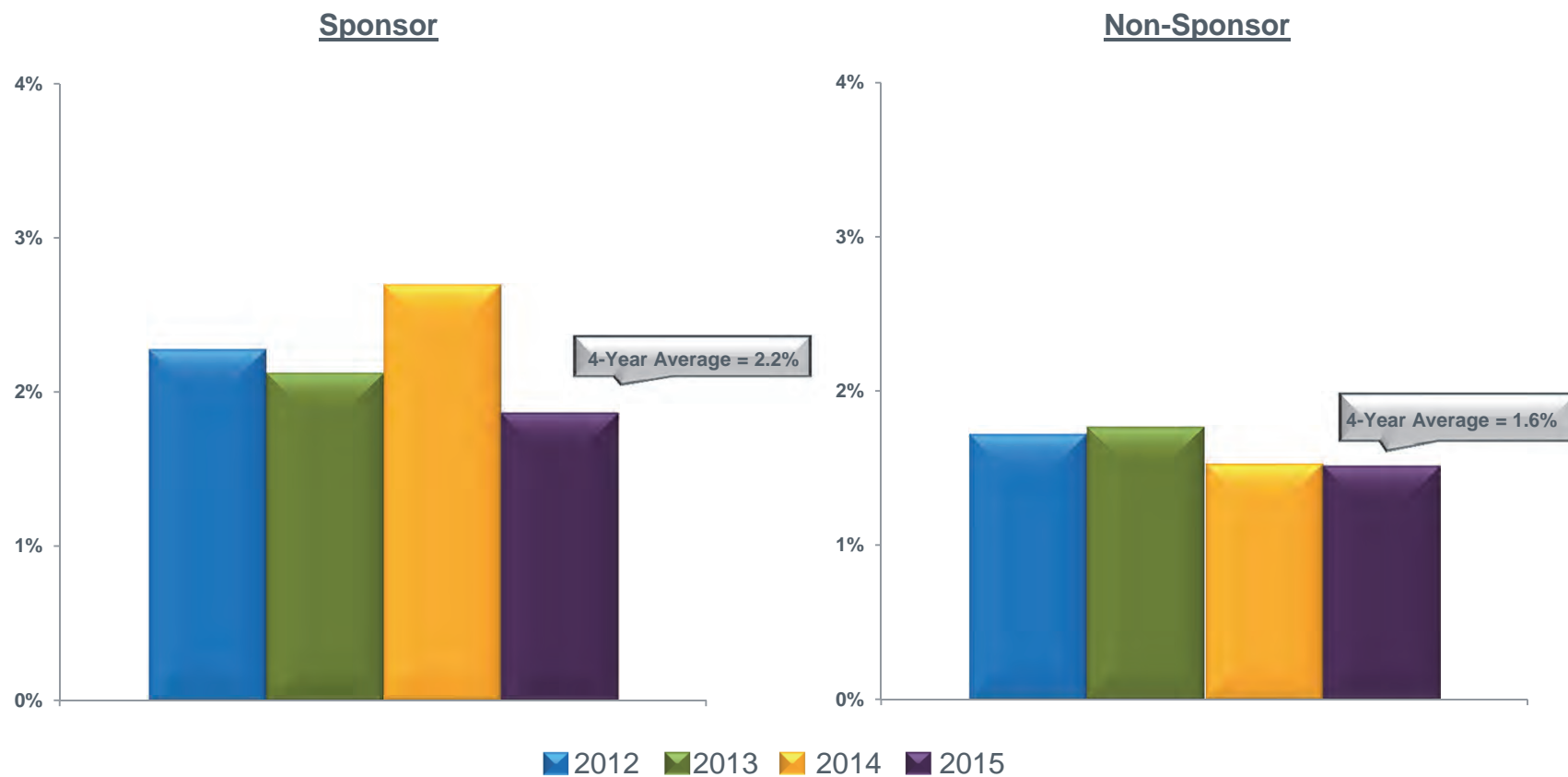
Cross-Acceleration Threshold % of Total Assets

Ratings



Cross-Acceleration Threshold

% of Total Assets





Thank you

A very special thanks to the following Capital Markets & Leveraged Finance Associates, Analysts and Staff for their contributions to the 2016 Global High-Yield Bond Study:

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