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Global Capital Markets Perspective

Issue 6
September 2014

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Foreword

Welcome to the sixth issue of DTTL's "Global Capital Markets Perspective".

Most capital market instruments performed better in 1H14 than the previous half in the wake of improving macroeconomic fundamentals cross many economies. The period saw the U.S. capital markets stabilize as a result of continuity in the Federal Reserve's (Fed's) tapering program and the underlying expectation that the monetary stimulus which may be completely withdrawn in the near term. In Europe, measures implemented by the European Central Bank (ECB) coupled with improving economic factors, translated into heightened capital market activity across virtually all instruments. Asia Pacific saw improved issuance as a result of the economic regulations that many of the countries in the region implemented in the previous half.

1H14 also saw issuers take advantage of the conducive capital-raising conditions to issue cheaper debt for refinancing, funding acquisitions, and stocking up on cash reserves for future use. Another trend that emerged across securities during the period was valuation mismatch, with asset prices being much higher than their intrinsic values. There was also a surge in issuance of lower quality assets and this supply was met with robust investor demand in a globally-prevalent low interest rate environment. Regulators across many economies appear to be keeping an eye out for further deterioration of asset quality, thus trying to avoid a recap of the financial crisis of 2007 that had its roots in poor-quality financial securities.

Refinancing remained a key reason for issuance, with companies taking advantage of the current environment conducive to capital-raising for as long as it lasts. M&A-related financing contributed a greater share in the total capital raised by issuers across many economies, especially in Europe.

Analysts expect the recovery in capital markets to continue in 2H14, with a possibility of uneven growth across geographies and asset classes. While economic reforms seem to have lent some stability to the capital markets, they continue to be complex and dynamic in nature, making it essential to keep a constant watch on developments in order to gain insight into some of the most important trends shaping these markets.

Enjoy the read!

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Executive summary

The report discusses the impact of global events on capital market instruments and key geographies in 1H14, from the issuer's perspective. It also highlights the trends observed across major world economies.

1H14 witnessed issuers take advantage of a conducive capital-raising environment that was supported by renewed investor confidence and low interest rates prevalent globally. The Fed's gradual tapering of the monetary stimulus rendered greater stability to the U.S. capital markets as compared to the volatile conditions in 2013. The developed economies of Europe saw macroeconomic indicators improving, resulting in robust M&A activity, which in turn stimulated the region's capital markets. Issuance in Asia Pacific was predominantly influenced by activity in the Chinese markets that responded to the regulatory reforms being implemented.

Exhibit 1: Issuance across various capital market instruments in 1H14 and growth over 2H13.

Sources: Preqin, Bloomberg LP, S&P LCD

Issuance across most instruments improved globally in 1H14 over 2H13 (refer to Exhibit 1). Major trends that emerged in 1H14 are listed below:

- Globally investor confidence appears to have increased on account of improved macro-economic conditions, low volatility, and low interest rates. The markets witnessed a pronounced shift in investor preference, with more risky assets being favored for better returns.
- Specifically, Europe's improvement in macro-economic fundamentals was reflected in the robust growth in issuance across most asset classes issued in the region.
- The debt markets witnessed leveraged debt being more popular than the safer Investment Grade (IG) equivalent, with Collateralized Loan Obligations (CLOs) recording highest issuance post the financial crisis of 2008. The low interest rates permitted issuers to raise capital for refinancing costlier debt, acquisition financing, and also for additions to their cash reserves.
- Initial Public Offering (IPO) markets were mainly driven by Private Equity (PE) and Venture Capital (VC) backed exit deals originating primarily from the U.S. and Asia Pacific. For PE markets, fundraising became challenging due to stringent regulatory compliance and heightened competition.
- A concern emerged for the regulators with regard to the quality of assets being issued across geographies. It was witnessed that securities with fewer covenants were also finding strong investor demand in a period of low returns.

While most capital market instruments showed signs of recovery, the outlook globally is expected to remain uneven, with high-yielding assets poised to outperform safer assets. Interest rates are expected to increase in 2H14 and the subsequent effect will determine how the issuance of these instruments fares.

Timeline of capital market events

Exhibit 2: Significant events that impacted capital markets in 1H14

01 JAN

Chinese authorities lift a ban on new market listings

After more than a year, the Chinese Securities Regulatory Commission (CSRC) lifted a ban on new stock market listings, introducing new rules to improve and streamline the IPO process.[5a]

19 MAR

The Fed Reserve scales back monetary stimulus

In the March Federal Open Market Committee (FOMC) meeting, the chairman announced a third US$10B reduction to quantitative easing, reducing its monthly bond purchases to US$55B[5b]. The Fed plans to make a US$15B final reduction in its October meeting, after trimming it by US$10B at each meeting up to that point.[5c]

10 APR

Greece returned to the international markets with bond sale of US$4.2B

The Greek government reestablished its presence in the bond market, raising US$4.2B by selling five year bonds offering a yield of 4.95%[5d]. Low interest rates prevailing in the market attracted investors towards the bond issue and initiated the return of investor confidence in the country.[5e]

11 APR

Cross border trading plan to be introduced for Shanghai and Hong Kong Stock exchanges

As a step to open up its capital markets, China introduced a plan to facilitate cross border trading between Hong Kong and Shanghai stock markets[5f]. The program is likely to start during 4Q14 and will allow investors to buy and sell up to 24.5B Yuan of stocks in companies listed on any of these exchanges.[5g]

17 MAY

Portugal leaves its bailout program with US$293B debt and lower GDP

Portugal regained its economic sovereignty after leaving its international bailout program. However, things haven't improved considerably as the country has a debt of US$293B, which is the third highest in the Eurozone. With the bailout, Portugal has raised its taxes on all consumer items and reduced its budget spending by USB12.4B since 2010.[5h]

01 JUN

China market re-opens

After an abrupt closure in March 2014, China's A-share IPO market re-opened in June 2014 kicking off a new round of IPOs. The CSRC's interference in the markets has kept a lid on IPO activity leading to a pipeline of companies waiting to seek approval for listing, thereby affecting the overall development in the Chinese markets.[5i]

27 JUN

The ECB launches bold measures to boost Eurozone trailing economy

The ECB announced measures to enhance the functioning of the monetary policy transmission mechanism by supporting lending to the economy. The Governing council of the ECB has decided to conduct a series of targeted longer-term refinancing operations (TLTROs) aimed at improving bank lending. The ECB also cut the deposit rate for the region's commercial banks to -0.1% from zero.[5j]

27 JUN

European Union (EU) signs trade pact with Ukraine

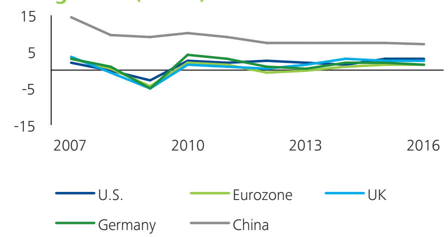
The EU signed a free-trade and political cooperation agreement with Ukraine, in order to facilitate economic integration of the country with the other members of EU. This act has been strongly opposed by the Russian government as it further weakens its influence over former Soviet republics.[5k]

Macro economic indicators

Improving macroeconomic conditions across the globe have stimulated the capital markets as investor confidence in various asset classes has been reinstated. Strong business dynamics are expected to continue in the near future.

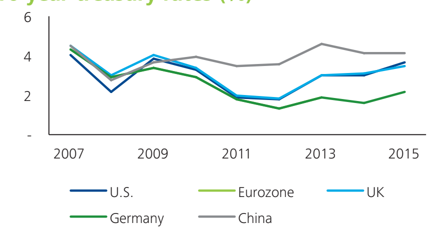
Exhibit 3: Macro-economic indicators improved across major economies in 1H14.

GDP growth (YoY%)



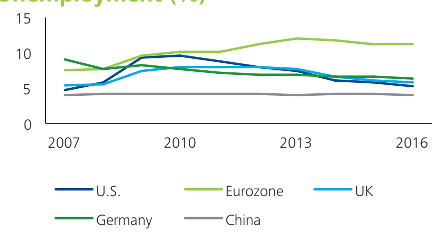
Source: Bloomberg LP, August 2014

10 year treasury rates (%)



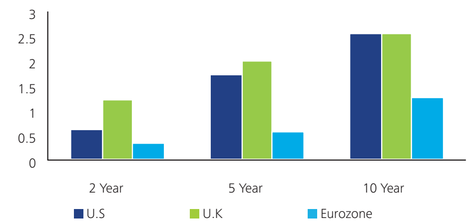
Source: Bloomberg LP, August 2014

Unemployment (%)



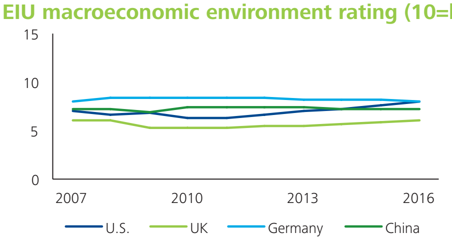
Source: Bloomberg LP, August 2014

Swap



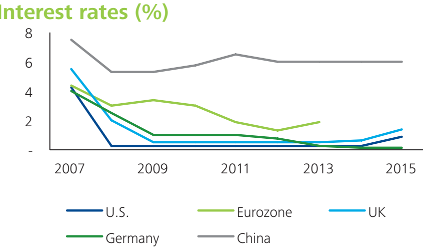
Source: Danske Bank, yield forecast update

EIU macroeconomic environment rating (10=high)



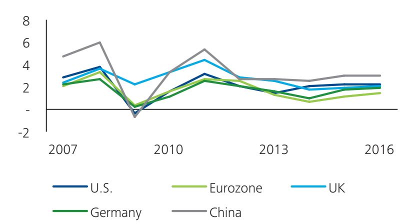
Source: Economic Intelligent Unit (EIU)

Interest rates (%)



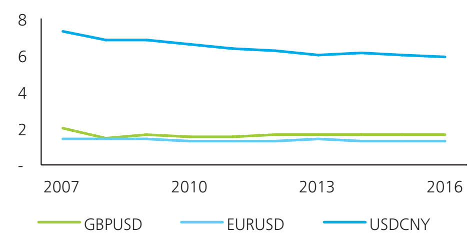
Source: Bloomberg LP, August 2014

Inflation (%)



Source: Bloomberg LP, August 2014

Exchange rate (ratio)

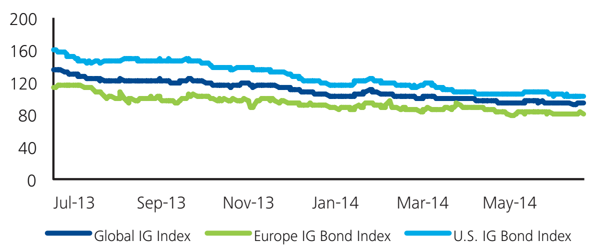


Source: Bloomberg LP, August 2014

Investment Grade debt markets

IG debt issuance increased globally on account of bonds rallying across geographies. Refinancing existing debt and acquisition-related financing were the reasons for an increased issuance by IG companies.

Exhibit 5: IG yield spreads have been tapering since 2H13. (bps)



Source: Bloomberg LP, July 2014

Exhibit 6: 1H14 did not witness any record sized deals that were predominant in 2H13.

Top five IG Loan issuances in 1H14—Global

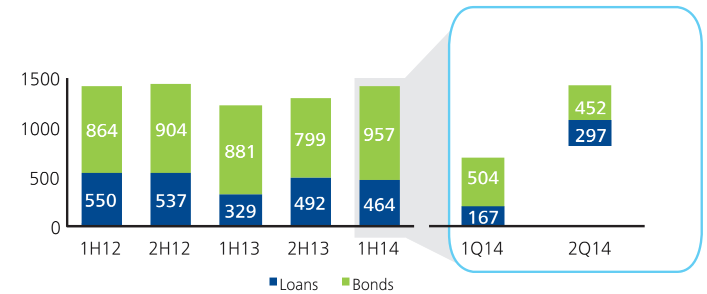
Date	Issuer	Amount (US$B)	Sector	Region
6/04/2014	Wal-Mart Stores Inc.	17.3	Retail	U.S.
6/27/2014	Medtronic Inc.	16.3	Medical Device	U.S.
5/13/2014	Depository Trust Co	15.3	Financial Services	U.S.
4/03/2014	Glencore Xstrata PLC	15.3	Mining	Europe
2/14/2014	Bouygues SA.	14.4	Conglomerate	Europe

Top five IG Bond issuances in 1H14—Global

Date	Issuer	Amount (US$B)	Sector	Region
4/30/2014	Apple Inc.	12.0	Consumer Electronics	U.S.
3/11/2014	Petroleo Brasileiro	8.5	Petroleum	Brazil
2/25/2014	Cisco Systems Inc.	8.0	IT Services	U.S.
1/15/2014	Petroleos Mexicanos	4.0	Petroleum	Mexico
1/17/2014	Electricite de France	2.2	Electric Utilities	Europe

Source: Bloomberg LP, July 2014

Exhibit 4: IG Issuance increased during the year, with companies leveraging the low interest rate environment prevalent globally. (US$B)

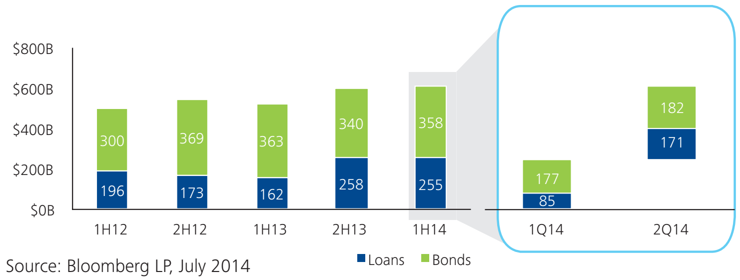


Source: Bloomberg LP, July 2014

- 1H14 witnessed a 10% increase in IG debt issuance globally (refer to Exhibit 4) over 2H13, with companies taking advantage of the near historic low interest rates, before the anticipated hike in interest rates. The surge seems to have been driven by an improved performance by most of the regional bond markets, resulting in a 20% increase in global IG bond issuance.
- IG debt markets have been facing a demand-supply mismatch, with the demand for IG securities outpacing the supply by a considerable margin.[7a]
- Yield spreads have been tapering (refer to Exhibit 5) as a result of improving macroeconomic conditions in the U.S. and Europe that are reinstating confidence in investors and reducing risk perceptions.[7b]
- There was a marked rise in the level of M&A activity in global markets that contributed to increased acquisition-related financing through capital markets.[7c] The prevailing low interest rates has ensured availability of cheaper debt for IG issuers, thereby enhancing the value of M&A transactions for these companies.[7d]
- Hybrid bonds witnessed record issuance in 1H14 globally, mainly in the European and Asia Pacific debt markets. This trend was partly due to a shift in investor preference from safety to higher returns. However, these bond spreads widened considerably with the slightest change in interest rates, making the assets riskier than other forms of debt.[7e]

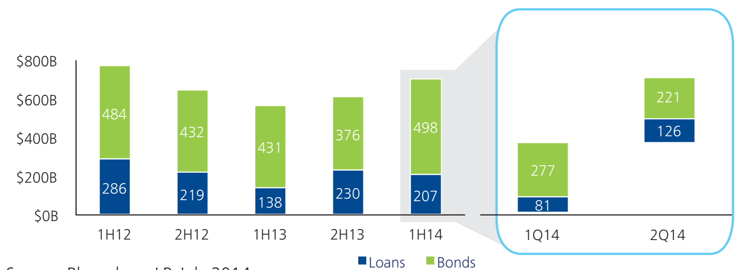
Investment Grade debt markets (cont.)

Exhibit 7: Low interest rate environment in the U.S. ensured a slight increase in IG issuance.



Source: Bloomberg LP, July 2014

Exhibit 8: European IG market found favor with international issuers for its lucrative debt raising conditions and healthy investor appetite.



Source: Bloomberg LP, July 2014

Expert Speak — Key Trend and Outlook

Anthony Wong
Director, Infrastructure & Capital Project Advisory
(Deloitte-China, Hong Kong)

- China's offshore debt market has boomed in the first half of 2014. A total of RMB161.3B offshore bond issued in the first half of 2014 has surpassed the total issuance in 2013. The Asia, ex — Japan, US$ bond market experienced a 22% YoY growth in 2013. Corporate issuers accounted for approximately 78% of the total, IG issues accounted for approximately 58% and China/HK issuers accounted for approximately 56%.
- The lack of transparency of the bond issuers and possible defaults may deter the confidence of some U.S. and European investors to a certain extent. However, the Chinese government is expected to implement new policies to help improve transparency in its bond market.
- Despite the slowdown in the economy and volatility in the Yuan, the outlook for 2014 is that China's offshore debt market is expected to continue growing due to the Borrowers' refinancing needs and rising funding costs onshore.

United States

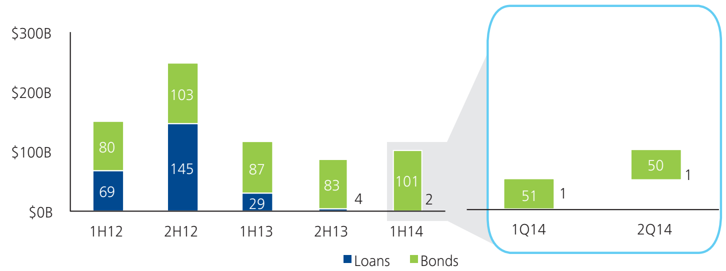
- IG issuance in 1H14 witnessed a slight increase of 2.5% over 2H13, with bonds faring better than loans (refer to Exhibit 7). The rise was primarily due to the prevailing low interest rate environment that issuers wanted to take advantage of for raising cheaper debt. This trend is expected to continue in 2H14 for as long as the Fed maintains low interest rates.[8a]
- The growth in issuance could have been even more pronounced had the supply matched the high demand for these instruments that enabled lead managers to lower the yields accordingly. This trend was exhibited by companies, such as Actavis, that received US$17B worth of orders for its US$3.7B issue in June, enabling the company to raise debt at a rate 25 basis points cheaper than expected.[8b]
- Option Adjusted Spreads (OAS) for corporate IG bonds shrank to their lowest levels since 2007, with effective yields lower by 32 basis points since the start of 2014. This was primarily on account of flight-to-safety trend due to the Ukraine-Russia crisis and unstable conditions in Iraq.[8c]
- An underlying trend that emerged in the IG debt market in 1H14 was the preference for long term debt by issuers apparently looking to lock-in low yields over an extended duration. The demand for IG bonds among institutional buyers, such as pension funds and insurance companies, has remained healthy mainly due to their long-term nature and credit worthiness.[8d]
- Acquisitions and refinancing continued to be the primary drivers for issuance among IG companies in 1H14. In addition to these, some companies were also seen adding cash to their balance sheets for future use, since it has been available at historically low rates for some time now.[8e]

Europe

- IG debt issuance in Europe for 1H14 exhibited a growth of 16% over 2H13, with European IG bonds emulating their American equivalents by outpacing loans (refer to Exhibit 8). The increase can be attributed to European Central Bank's (ECB's) measures to reduce the key rates and keep them low over the long term.[8f]
- About 80% of the IG loans were raised in order to refinance existing debt by companies. Majority of these were revolving credit facilities which are inherently less lucrative than term loans for banks. This resulted in such loans losing favor with banks and consequently the issuance reducing for the period.[8g]
- IG yields have reduced by 15 basis points since the beginning of 2014, with spreads of peripheral European corporate bonds compressing sharply. Lower yields can be attributed to renewed investor confidence as the region's economic fundamentals improved.[8h]
- IG issuers from emerging countries, such as India and South Korea, are looking at European markets to raise cheaper debt, given the low interest rate environment sustained by the ECB in 1H14. This trend is expected to continue in the later part of 2014 as well.[8i]

Investment Grade debt markets (cont.)

Exhibit 9: Meagre loan issuance in Asia Pacific offset the rally by the IG bond market in 1H14.



Source: Bloomberg LP, July 2014

Regional Spotlight—China

- China has dominated the Asia Pacific IG bond market and is expected to continue doing the same in 2H14 following efforts by the Chinese central bank to ease monetary policy and revive the economy. These efforts appear to have ensured a substantial decrease in borrowing costs for Chinese companies, with IG bond yields falling to their lowest levels since 2007. The share of IG bonds in the Chinese bond market has risen from 10% in 2007 to 33% in 2014 due to these regulatory measures.[9e]
- The Chinese IG bond market saw property developers selling more debt than in any other economy, for the second year in a row.[9f] This was a result of a real estate market that is becoming more stable. Additionally, a greater number of real estate companies are being upgraded to investment grade, which is expected to ensure a healthy pipeline in 2H14.[9g]
- The Chinese government aims to attract global issuers by expanding the IG bond sector and implementing new policies to improve transparency in its bond market. These measures are expected to bolster China's IG bond issuance in the near future.[9h]

Asia Pacific

- IG debt witnessed an 18% increase in 1H14 over 2H13 in Asia Pacific on account of the robust rally by bonds (refer to Exhibit 9). Asian companies have been issuing bonds denominated in foreign currencies and this trend was widely followed in case of Euro denominated issuances in light of the recent rate cuts by the ECB, making it cheaper to raise debt. European investors, especially institutional entities, were looking to diversify and have been opting for higher emerging-market yields from IG Asian issues, given the high returns they generated.[9a]
- IG lending appears to have been on a decline, with Asian banks struggling to issue long-term loans considering that their clients are issuing bonds to repay these liabilities. This is a diversion from the usual, since banks have traditionally been the cheapest source of capital for companies in the region.[9b]
- Banks in the region have been issuing more Basel III compliant hybrid securities to maintain their capital ratios above regulatory requirements.[9c] This is in line with an increased demand for more complex securities among Asian investors.[9d]

Outlook

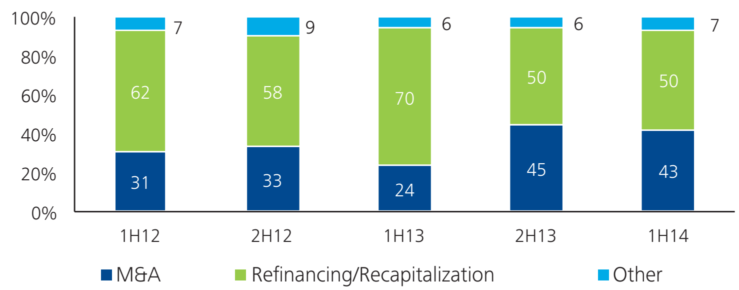
In 2H14, IG issuers across the globe are expected to focus on measures taken by central banks to revive their respective economies, depending upon the stage of economic recovery they are in. For instance, the impact of withdrawal of the monetary stimulus by the Fed—expected in October—will be a point of interest. Similarly, monetary easing by virtue of interest rate cuts by the ECB, will be instrumental in determining European IG debt issuance.

- IG issuance in the U.S. is expected to increase, with companies rushing to raise cheaper debt for as long as interest rates are kept low. However, this could be partially offset by the possibility that European companies move back to the domestic market to raise debt, given the more attractive capital raising conditions in effect there.[9i]
- Euro-denominated issuance is expected to be an emerging trend in the global debt markets, following rate cuts enforced by the ECB in June. However, it is expected that post an initial favorable phase for IG debt issuance, investor preference is bound to shift to higher yield securities.[9j]
- Asia Pacific IG debt market is expected to do well due to China's — the principal contributor to the region's issuance—measures to improve its growth figures that could spark an economic rebound in the country, thus increasing the scope for debt issuance.[9k]

Leveraged debt markets

Leveraged debt issuance improved in 1H14 due to globally-prevalent low interest rates and investors' demand for higher yields. Increased issuance of CLOs and covenant-lite loans was the highlight of the global leveraged debt markets.

Exhibit 11: Refinancing and M&A-related financing continued to be the key reasons for issuance of leveraged debt.



Source: Standard & Poor's Financial Services LLC, July 2014

Exhibit 12: 1H14 witnessed the largest HY bond issue on record.

Top five Leveraged Loan issuances in 1H14—Global

Date	Issuer	Amount ($B)	Sector	Region
6/30/2014	Jacobs Douwe Egberts	10.4	Beverage Manufacturing	Europe
6/19/2014	Texas Comp Electric Hold Co.	9.8	Utilities	U.S.
1/27/2014	Community Health Systems	8.2	Healthcare	U.S.
3/12/2014	Ally Financial	8.0	Financial Services	U.S.
1/27/2014	Ziggo BV	5.9	Telecommunication	Europe

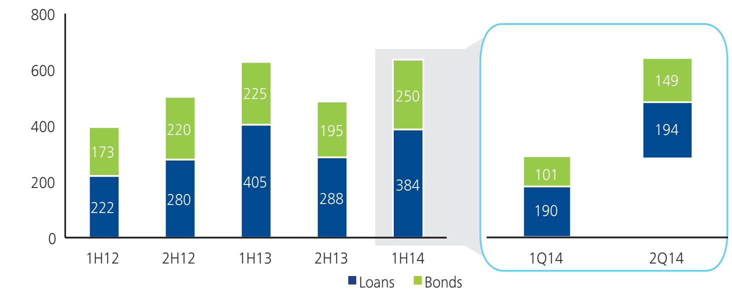
Source: Bloomberg LP, Dealogic July 2014

Top five HY Bond issuances in 1H14—Global

Date	Issuer	Amount ($B)	Sector	Region
4/23/2014	Numericable	7.7	Telecommunication	Europe
1/15/2014	Community Health Systems	4.0	Healthcare	U.S.
3/03/2014	HCA Inc.	3.5	Healthcare	U.S.
10/04/2014	Chesapeake Energy Corp	3.0	Oil and Gas	U.S.
4/23/2014	Altice Group	2.9	Telecommunication	Europe

Source: Standard & Poor's Financial Services LLC, July 2014

Exhibit 10: Global leveraged debt issuance grew, driven by renewed investor demand for high yield. (US$B)

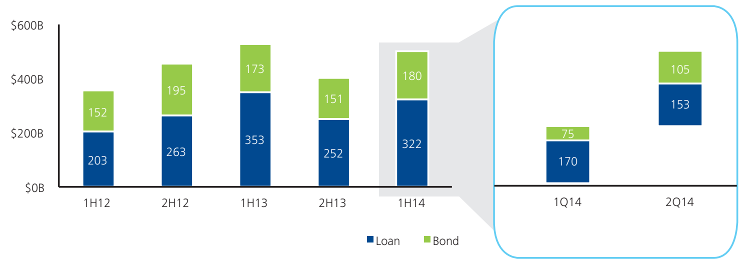


Source: Standard & Poor's Financial Services LLC, July 2014

- Annual global leveraged debt issuance witnessed a growth of 31% in 1H14 over 2H13 (refer to Exhibit 10), with leveraged loans continuing to outperform HY bond issuance. This upsurge in leveraged debt issuance was as a result of the demand for yield in the globally prevalent low interest environment.[10a]
- The increased issuance of CLOs and covenant-lite loans implied a steady deterioration in the quality of assets being issued. The development of frothy valuations—asset prices not in line with their underlying value—and weak debt underwriting standards have become points of concern for global monetary regulators.[10b]
- Refinancing and M&A related capital raising continued to be the major reasons for increased issuance globally (refer to Exhibit 11) primarily due to issuers raising cheaper debt before the imminent hike in rates. HY bonds were issued to refinance other forms of debt and also support Leveraged Buy-Outs (LBOs).[10c] In 1H14, M&As and LBOs appeared to have contributed to an increased volume of leveraged debt issuance as compared to the same period last year.
- During 1Q14, leveraged debt issuance was bolstered by shrinking default rates observed globally (refer to Exhibit 14). This trend was emulated by not just higher rated debt, but also covenant-lite loans. In the later part of 1H14, the U.S. leveraged debt market proved to be an exception to this with the default rate more than doubling on account of the default by Energy Future Holdings.[10d]

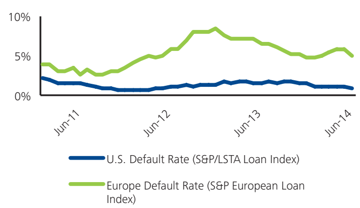
Leveraged debt markets (cont.)

Exhibit 13: Record CLO issuance bolstered the U.S. leveraged loan issuance in 1H14.

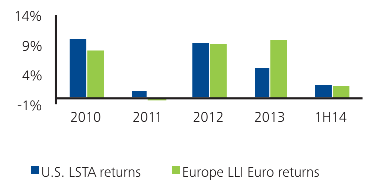


Source: Standard & Poor's Financial Services LLC, July 2014

Exhibit 14: European index delivered higher returns than the U.S. index, though hindered by higher default rates.

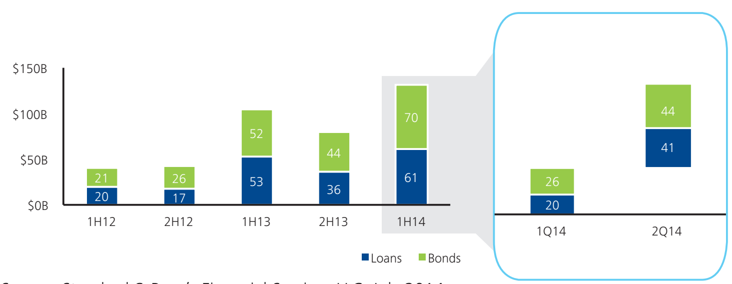


Source: Standard & Poor's Financial Services LLC, July 2014



Source: Standard & Poor's Financial Services LLC, July 2014

Exhibit 15: Europe witnessed a record year for leveraged debt issuance.



Source: Standard & Poor's Financial Services LLC, July 2014

United States

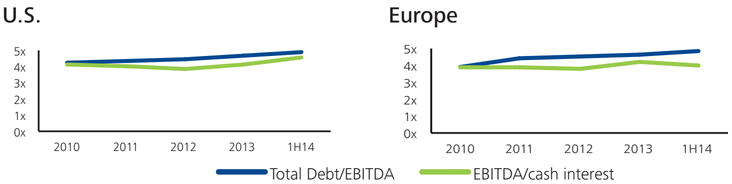
- In 1H14, issuance in the leveraged debt market increased by 25% over 2H13 (refer to Exhibit 13). Sub-investment grade issuers took advantage of record low yields to raise debt, thus driving total issuance.[11a]
- Leveraged loan volume increased by 28% in 1H14 over 2H13, primarily due to record CLO issuance during the period, especially in June. These higher-risk securities were met with robust demand, since CLOs give investors the facility of choosing tranches according to their respective risk appetites.[11b] Covenant-lite loan volume grew as a percentage of the total number of leveraged loans issued in the U.S. The demand for these lower quality loans appears to have increased as investors look for higher returns in the prevailing low yield environment. Some analysts are wary of these easy lending conditions that are oddly similar to the ones that prevailed before the 2008 financial crisis. [11c]
- HY bond issuance witnessed an increase of 19% in 1H14 over 2H13. This surge was primarily driven by renewed investor demand for higher yielding securities. Additionally, HY bonds appear to be less sensitive to interest rate changes as compared to their IG counterparts, making them a preferable investment option in the upcoming period of interest rate uncertainty. The default rates for these bonds dipped further during 1H14, thus increasing their attractiveness.[11d]
- LBOs amounting to US$52.7B were completed in 1H14, which was a new six-month record since the credit crisis. However, a cause of concern for the regulators is the increased levels of debt used to finance these buyouts. Approximately 40% of LBOs in 1H14 have used debt greater than 6x EBITDA, which is the limit deemed acceptable by regulators. This is the highest share of such LBOs, since the pre-financial crisis high of 52%.[11e]

Europe

- European leveraged debt issuance grew by 65% in 1H14 over 2H13 mainly on account of increased activity in the leveraged loan market. Institutional investors demonstrated strong appetite for leveraged loans in 2Q14, driven by increased repayments on existing loans. Covenant-lite loans and CLOs found favor with issuers, given the strong demand for these high yielding securities.[11f]
- Leveraged debt issuance was also bolstered by some major M&A transactions that took place in 1H14. Approximately one-third of the leveraged debt raised was for acquisition-related financing, an improvement over 12% in 2013.[11g] Refinancing continued to be the primary reason for issuance in 1H14.[11h]

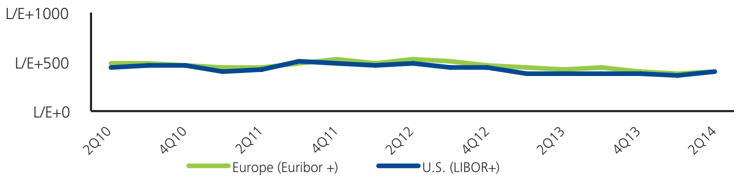
Leveraged debt markets (cont.)

Exhibit 16: Debt multiples increased in 2H13 for both the U.S. and Europe.



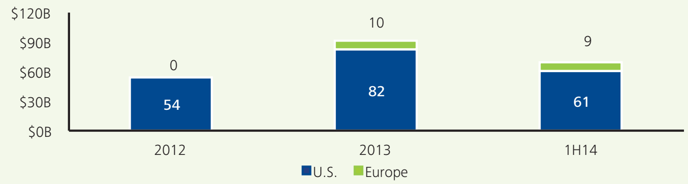
Source: Standard & Poor's Financial Services LLC, July 2014

Exhibit 17: Weighted Average New-Issue Institutional Spreads tightened globally.



Source: Standard & Poor's Financial Services LLC, July 2014

Exhibit 18: CLO markets saw the highest issuances since 2007



Source: Standard & Poor's Financial Services LLC, July 2014

1H14 witnessed post-credit crisis high levels of CLO issuance, with the year already looking to overtake 2013 for the instrument. In addition to offering better returns than HY bonds and leveraged loans, investors are favoring CLOs for the improved quality of the underlying assets.[12k] Investor preference for these securities was demonstrated when a major PE player issued a US$1.5B CLO in June that happened to be the biggest issue of its kind since the financial crisis.[12l] CLO issuance is expected to increase given that the Fed has extended the Volcker rule compliance deadline by two years. Under this regulation, there are restrictions on banks investing in CLOs.[12m]

Europe (cont.)

- European HY bond market witnessed a 60% increase in issuance in 1H14 over 2H13 (refer to Exhibit 15), mainly driven by an increasingly liquid investor base. Companies in the region preferred bonds over bank lending due to lighter covenants and longer-dated funding options in the bond market.[12a] The depth of these markets became evident when Numericable—the French telecommunications company—raised US$10.9B in the biggest HY bond issue on record.[12b]
- The bond market rally was also driven by the surge in issuance in peripheral Europe due to all-time low yields in countries such as Spain and Italy.[12c] These found favor with investors who wanted higher yields but were averse to foreign currency risk.[12d]
- After the credit crisis, many European IG companies were downgraded and these "fallen angels" have continued to prefer the bond markets to raise capital, providing a more diversified supply of issuance during the current rally in the HY bond market.[12e]
- A trend that emerged in 1H14 was the growing proportion of first-time issuers with US$27B worth of such bonds coming to the market during the period. Continued high investor demand for riskier assets providing higher yields is the primary contributor to this trend.[12f]

Asia Pacific

- Asia Pacific leveraged debt markets witnessed stronger issuance driven by robust investor demand for higher yields. Out of the US$18B worth of HY bonds issued in Asia, approximately 60% have been by Chinese companies. The primary contributor to the Chinese bond rally has been the revival of the real estate market, that accounted for 46% of the total Asia HY bond volume.[12g]
- Asia's HY bonds are now coming with lighter covenants, especially the ones being issued by Chinese companies. Yield seeking investors are willing to take on greater risks for higher returns. However, Asian HY bonds still have more restrictive covenants than the ones issued in the U.S. and Europe.[12h]
- A trend that surfaced in 1H14 in the Asian leveraged debt market was the inclusion of mezzanine financing for LBOs. Analysts are of the opinion that this is a welcome trend for Asian markets that lack the robust institutional investor base of the U.S. or Europe. This was predominantly seen in South Korea which boasts of strong credit ratings and a bigger institutional investor base than other Asian economies.[12i]
- 1H14 saw China's corporate debt and leverage ratios rise, with analysts concentrating on the shadow banking sector that currently accounts for 30% of the total corporate debt of the country. These borrowings are not guaranteed by the state and meet low standards of risk, with low or no transparency.[12j]

Leveraged debt markets (cont.)

Expert Speak—Key Trend and Outlook

Andrew Luetchford
Partner,
Financial Advisory (Deloitte-Canada, Toronto)

The excess of supply over demand for issuance continues to impact the leveraged debt markets. With institutional investors constantly seeking yield, competition to fund the relatively few deals in the marketplace remains intense.

As a result, the market is continuing to experience skinny spreads and relatively loose covenants. This dynamic can be seen across all segments of the leveraged debt market and across all geographies, although the popularity of the CLO market in North America has fueled even greater interest in leveraged loan activity in that region.

These market fundamentals, that were in place in 2013 and have continued into the first half of 2014, look set to stay the course into the foreseeable future. However, there are already signs of subtle shifts in the market. There has been an uptick in M&A activity and at least the beginning of signs of increased capital expenditure. This has already started to manifest in the debt markets as proceeds from financings are being used less for straight refinancings and more for new-money transactions. If the overall market continues to improve, this increased demand for new issuance will begin to address the imbalance and start to bring back spreads and covenants more in line with historical norms. Likewise, as the global economic recovery gathers steam, there will be increased upward pressure on interest rates, creating an end to the current perfect storm of investors' search for yield during a time when issuers costs are historically low.

Regional Spotlight—Italy

- Italian HY bond issuance—excluding financial institutions—increased by 32% in 1H14 as compared to the same period last year, thus becoming one of the primary contributors to the growth of the European market. The sharp increase was due to strong demand for yield in addition to improving market sentiment and macroeconomic indicators in the region.[13a]
- High value HY bond issues by companies were the highlight of the period. These issuers seem to have taken advantage of tightening credit spreads to raise cheaper capital to primarily to refinance their existing costlier debt. The decline in spreads has led to weaker asset quality, with higher leverage and loose covenants, coming to the market.[13b]
- Smaller and unlisted companies in Italy have the option of raising capital by issuing 'minibonds', securities that combine features of bank lending and public bonds. These securities are being incentivized by elimination of the withholding tax on them.[13c]

Outlook

The course of the global leveraged markets will primarily depend upon how monetary policies are framed to alter interest rates. If the yields are hiked, investors will have other avenues besides leveraged debt for higher returns without incurring as much risk. Moreover, it is expected that regulators will monitor the asset quality of leveraged debt issues closely in order to avoid a repeat of the financial crisis, thus impacting global issuance.

- In the U.S., the timing of the Fed's decision to increase rates will be key in determining how the leveraged debt markets will fare in the region for 2H14.
- The European leveraged debt markets are expected to perform better, given the recent rate cuts by the ECB that could make investors favor riskier assets for higher returns. The effects of the additional liquidity infused due to the Targeted Longer Term Refinancing Operation (TLTRO), introduced by the ECB in June, will be of essence in determining how the European debt markets fare in 2H14.[13d]
- In Asia, China is expected to dominate the Asian leveraged debt market in 2H14. Some analysts are of the opinion that HY bonds issued by the Chinese property firms offer high risk adjusted returns and if the global low yield environment were to continue, these securities will be preferred by investors. However, this will depend largely on whether the Chinese real estate market continues its good run or whether the growth flattens in 2H14.[13e]

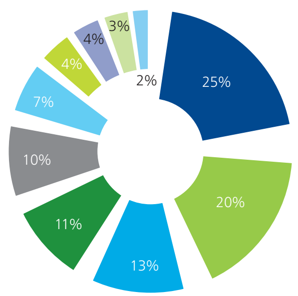
Equity markets

Global IPO proceeds in 1H14 increased by 18% over 2H13, and were driven primarily by financial sponsors. Better economic fundamentals and revived investor confidence enhanced activity.

2H13	1H14
638 deals	655 deals
US$104B Capital raised	US$123B Capital raised

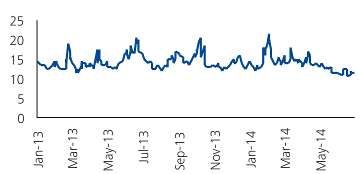
Source: Bloomberg LP, July 2014

Exhibit 20: Financial services sector led IPO volume globally.



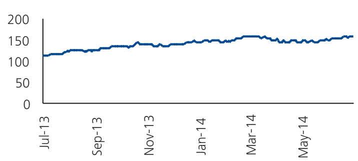
Source: Bloomberg LP, July 2014

Exhibit 21: Volatility Index (US$)



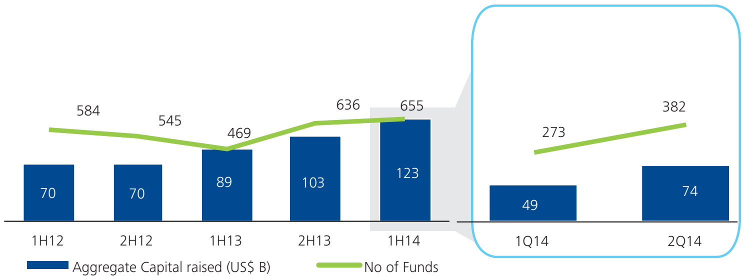
Source: Chicago Board Options Exchange (CBOE)

Exhibit 22: FTSE Renaissance Global IPO Index (US$)



Source: Bloomberg LP, July 2014

Exhibit 19: Global IPO markets see highest proceeds in 1H14, with 2Q14 outperforming 1Q14.

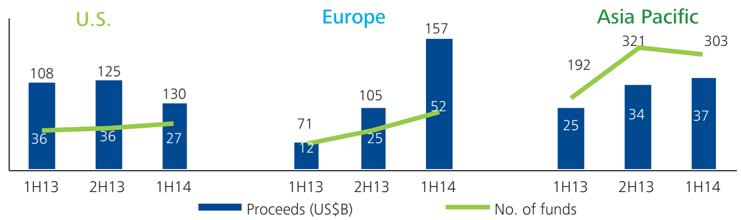


Source: Bloomberg LP, July 2014

- Signs of economic recovery and renewed confidence in equity markets apper to have kept IPO activity buoyant during 1H14. PE & VC-backed IPOs rose to the highest levels ever. With the IPO markets wide open, Limited Partners (LPs) seemed to have preferred monetizing their assets rather than refinancing their risk. However, amid this surge in IPO activity, investors remained cautious regarding valuations and were highly selective about their investments.[14a]
- Global IPO aftermarket performance remained consistent during 1H14 (refer to Exhibit 22) and were driven by the U.S and Asia Pacific ensuring a steady pipeline. However, the global market staggered a little in the months of March and April due to the sudden increase in the sale of highly valued stocks.[14b]
- The financial services sector led global IPO issuance, accounting for 25% of the total volume. With the boost given by the JOBS Act, healthcare companies in the U.S.—notably biotech and pharmaceuticals—dominated deal activity.[14c] However, in Europe, a more traditional sector, Retail, accounted for a large share of IPOs.[14d]
- With strong economic fundamentals, the U.S. exchanges remained the most active in 1H14. Chinese internet and e-commerce companies, which listed on the U.S. stock market, posted the best returns as there was a huge demand for them.[14e] However, with the volatility index at an all time low and equity markets nearing record highs, global IPO markets exhibited similar characteristics to pre-financial crisis levels.[14f]
- Asia Pacific saw most of its markets surge in terms of funds raised, except China missed market expectations. The Chinese mainland appears to have been stifled by reforms in its IPO regime, resulting in lesser IPO activity on the Shenzhen and Shanghai Stock Exchange. Hong Kong raised HK$81.3B from 48 IPOs reporting the highest number of IPOs over the same periods in the last decade.[14g]

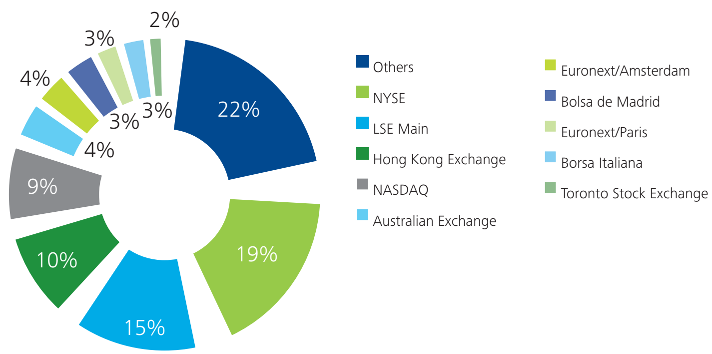
Equity markets (cont.)

Exhibit 23: In light of the recovering economy and improving investor confidence, Europe dominated the issuance in 1H14.



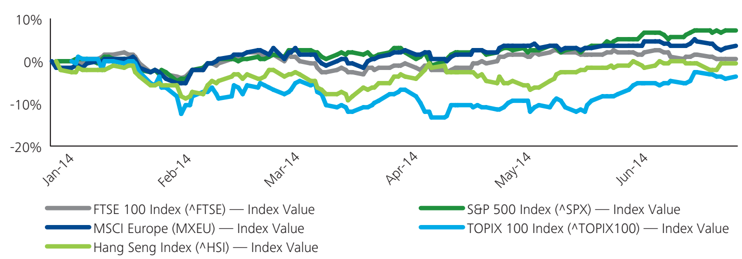
Source: Bloomberg LP, July 2014

Exhibit 24: NYSE & NASDAQ represented 28% of global IPO capital raised.



Source: Renaissance Capital, Greenwich, CT (www.renaissancecapital.com)
Note: Global statistics include IPOs with a deal size of at least US$100M and exclude closed-end funds and special purpose acquisition companies (SPACs).

Exhibit 25: Stock markets across the globe failed to generate the anticipated returns during 1H14.



Source: S&P Capital IQ

United States

- The U.S. equity market witnessed an 4% increase in IPO activity in 1H14 over 2H13 (refer to Exhibit 23) due to a decline in volatility and interest rates, leading to a muted renewal in investor optimism. Activity benefited from the JOBS Act—enforced in 2012—incentivizing listing for smaller companies, with more than 85% of them leveraging the Act in 1H14. In addition, IPO activity was driven by financial sponsors, who found a conducive environment to exit their investments[15a].
- Despite the heightened activity, total issuance decreased in the absence of mega deals. Valuation pressures forced companies to reduce their listing prices, thereby leading to a reduction in proceeds[15b].
- IPOs of healthcare and technology companies, grew in 1H14. 2Q14 saw other sectors, such as energy, financial and consumer business emulating the same trend. However, aftermarket performance was weak with shares of bigger players, plunging downwards following their listing on the stock exchanges[15c].
- The U.S. stock exchanges, continued being the most sought after with NASDAQ and NYSE accounting for approximately 28% of global IPO activity (refer to Exhibit 24). Cross border listing on these exchanges gained momentum from countries such as China, UK, Canada, and Israel[15d].

Europe

- In 1H14, the European equity market exhibited a 50% increase in proceeds over 2H13 (refer to Exhibit 23), as volatility remained relatively low amid improving macroeconomic fundamentals[15e]. 2Q14 recorded the highest level of proceeds in Europe since 2007, raising US$34.9B primarily due to an increase in PE backed IPOs. Additionally, there was a robust risk appetite of investors who continue to have a positive outlook toward the market despite the prevailing geopolitical tensions.[15f]
- IPO activity in the retail sector surged in 1H14, with 11 listings contributing US$3.6B to total issuance. This was partly driven by recovering consumer confidence as well as the growth of e-commerce and changing shopping habits[15g].
- The London Stock Exchange (LSE) continued to dominate IPO issuance in Europe, raising 10 times as much as during 1H13. A combination of improved sentiment in the equity markets and a fading Eurozone crisis reinvigorated several historically less active exchanges, such as the Spanish Exchange, Bolsa de Madrid (US$2.0B) and the Italian exchange, Borsa Italiana (US$2.6 B) (refer to Exhibit 24)[15h].
- Even though deal activity returned to Europe in 1H14, it appears investor fatigue crept in toward the end of June, as investors became more selective about where to place their money. Some companies, struggled to find investor demand and had to either postpone or withdraw their listings[15i].

Equity markets (cont.)

Asia Pacific

- Asia Pacific recorded the highest number of IPOs compared to any other region in 1H14 (refer to Exhibit 23). However, there was a 5% decrease in deal activity from 2H13. Strong investor confidence across Japan, Hong Kong, and Australia partially offset the volatile markets, and the effects of slow economic growth and an uneven regulatory climate in China.
- Regulatory issues continued to dominate the Chinese market with IPO activity suspended for almost two months in 1H14. The CSRC opened the mainland exchanges in January, allowing 48 companies to be listed in the first two months.[16a] However, IPOs were put on hold in March when authorities stopped granting approvals because of loopholes in the listing rules. During this period, Chinese companies looked to list overseas, such as e-commerce company JD.com, which raised US$1.7B on NASDAQ. The markets re-opened in June with the CSRC providing approvals to ten companies seeking to list on the mainland exchanges.[16b]
- Hong Kong's share market had a strong start to 1H14 with the listing of HK Electric, raising US$3.1B.[16c] However, it appears the market could not sustain the momentum, with companies such as Alibaba opting to list on other stock exchanges and a major pork producer withdrawing its listing due to the lack of investor demand. Conditions improved in 2Q14, with new firms beginning to list at lower valuations.[16d]
- Australia and New Zealand witnessed a surge in new listings, helped in part by the sale of government assets in 1H14.[16e] In contrast, IPOs in Singapore had a slow start due to increased competition from other stock exchanges in Asia Pacific, however the IPO of PACC Offshore Services Holdings in April 2014, that raised US$376M, was able to provide temporary relief.[16f 16g]

Regional Spotlight—Spain

- With Spain coming out of recession last year, investor appetite for investment in the country has grown in 1H14. The country has emerged as a hub for real estate investments. In 2013, Spain reduced the tax burden for REITs in an attempt to boost investment as home and commercial real estate prices fell sharply. Low interest rates, set by the ECB, helped fuel Spain's housing boom.[16h]
- In 1H14, Merlin Proprties Socimi, a Spanish REIT made its debut on the Spanish Stock exchange raising €1.25B.This was the largest IPO in Spain since the Spanish lender Bankia raised about €3B in 2011. The firm is well placed to take advantage of long-term potential across many areas of the Spanish property market.[16i]
- Additionally, large private equity firms have been purchasing blocks of homes in Madrid, to rent ahead of their anticipated price increase due to rise in demand.
- Although Spain appears to be in its nascent stage of economic recovery, real estate investors have been flocking the country. Midsize investment banks in Spain and global banks in London are bustling with investors looking for different ways to play in Spain's real estate market. However, there are fears that prices may escalate as the competition for certain assets becomes stiffer.[16j]

Outlook

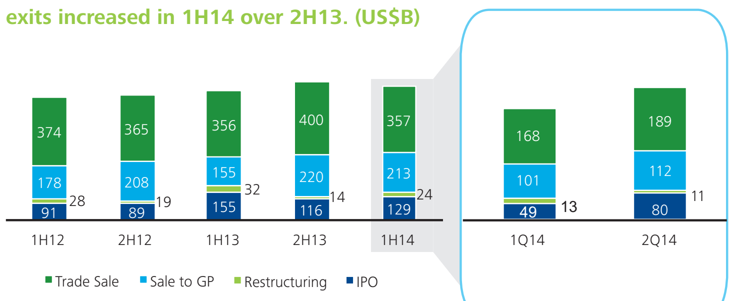
The global IPO market is expected to continue growing at an active pace in 2H14 as positive returns combined with low volatility have ensured a robust pipeline. Notable companies expected to list in 2H14 include China's largest e-commerce firm Alibaba Group, British mobile network Everything Everywhere, and Chinese commercial lender Bank of Beijing. In spite of improved investor confidence, there is demand for deals that are not only effectively priced but also offer a good growth story.

- In U.S., PE activity is expected to continue as investors appear eager to take advantage of the ideal conditions. While biotech companies dominated most of the IPO activity, sector issuance is expected to broaden in 2H14. However, as the Fed is in the midst of tapering its quantitative easing policy, market sentiment is expected to change.[16k]
- Given the large number of IPOs listed in Europe, investor caution has increased, which seems to have resulted in rigorous testing of deals for their growth potential as well as their valuation. This may pull back IPO activity in the region as it may be tough to attract investor demand.[16l]
- IPO activity is expected to increase in Asia Pacific on account of the re-opening of Chinese A-share and the CSRC granting faster approvals to companies listing on the exchanges.[16m] With the new sponsor regulation regime introduced in Hong Kong, IPO activity is set to increase in the region as well.[16n]

Private Equity

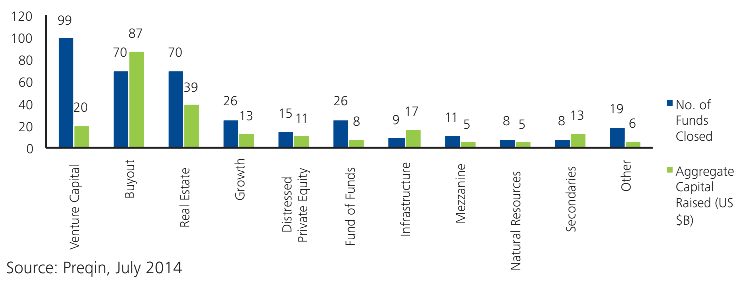
1H14 saw a decline in the aggregate capital raised globally as lack of quality targets and high valuation continued to hinder deal activity. Growing regulatory compliance and due diligence requirements led to a delay in closing funds.

Exhibit 27: Amid growing equity and debt markets, global PE-backed IPO exits increased in 1H14 over 2H13. (US$B)



Source: Preqin, July 2014

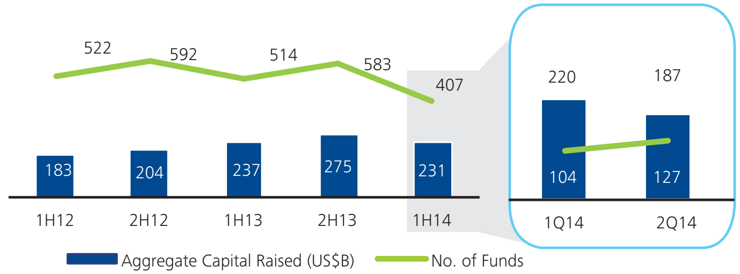
Exhibit 28: Majority of capital raised in 1H14 was through buyout deals.



Source: Preqin, July 2014

Source: Preqin, July 2014

Exhibit 26: A challenging deal making environment led to a decline in fundraising in 1H14.



Source: Preqin, July 2014

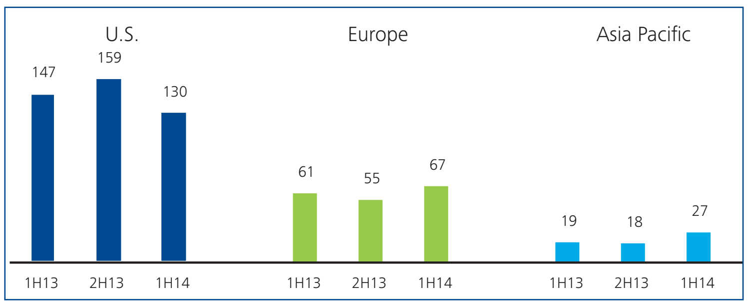
- Global PE funds raised a total of US$236B in 1H14, witnessing a 16% decrease over 2H13. Heightened competition and increased regulatory compliance led to a tougher deal making environment, thereby scaling back the number of funds closed. Also, the period saw fewer mega funds as compared to 2H13, that resulted in a decline in fundraising. Led by mid-market, the U.S. remained the hub for PE activity and surpassed all other regions in fundraising.
- With dry powder at an all-time high of US$1.2T and intense competition for quality platforms, PE firms have shifted their investment focus toward the middle market where growth opportunities remain vast and valuations lie within an acceptable range.[17a]
- Stronger IPO markets and an increase in M&A activity appear to have provided opportunities for PE firms to make exits and return capital to investors, thereby restoring confidence toward the asset class.
- Cross-border transactions in Asia Pacific have been increasing as investment opportunities appear to be growing in various emerging economies in the region.
- Given Europe's large share of buyout activity, it continues to attract significant foreign investment. LPs are actively seeking co-investment rights when making commitments to PE funds in the region.[17b]
- Increase in regulatory scrutiny over PE funds has emerged as the biggest challenge faced by LPs. With the Securities Exchange Commission (SEC) in the U.S. closely monitoring the amount of fees and expenses PE firms charge and the enactment of Alternative Investment Fund Managers Directive (AIFMD) in the EU, the compliance costs of PE firms has increased.[17c]

Private Equity (cont.)

United States

- Strong macro-economic factors and favorable investor optimism toward the U.S. appear to make it the most active region for PE activity. However, LPs' preference for quick returns has resulted in a challenging deal making environment for General Partners (GPs) due to intense competition for investment opportunities.[18a]
- U.S. saw its fundraising decline by 18% in 1H14 over 2H13 (refer to Exhibit 29), as unlike the previous period, only a handful of mega-funds (greater than US$5B) closed during 1H14. Most of the deal activity was concentrated around its middle market (US$100M to US$1B), that requires lesser commitment toward funds.[18b]
- With large quality targets attracting competition leading to seemingly exorbitant valuations, GPs shifted their attention toward smaller investments, particularly add-ons. These investments accounted for a majority of the buyouts as they are relatively cheaper and easier to pursue.[18c]
- GPs faced a tougher landscape for the first time as LPs preferred allocating capital to more experienced fund managers. Also, transaction time increased as investors' consideration for due diligence increased.[18d]
- There appears to have been a decline in market share of the U.S. public pension funds toward global PE commitments. The proportion of aggregate capital held by Sovereign Wealth funds has doubled to 10% in 1H14 from 2009. These fund managers are giving priority to creating an uncorrelated pool of investors, thus making the fund resilient toward national or regional crisis.[18e]

Exhibit 29: PE fundraising was dominated by the U.S. owing to a favorable investor climate. (US$B)

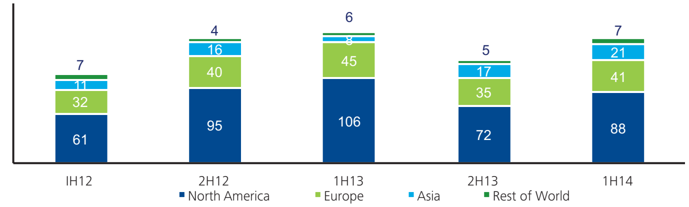


Source: Preqin, July 2014

Europe

- PE fundraising in Europe saw an increase of 22% in 1H14 over 2H13, mainly due to the return of investor confidence in the region (refer to Exhibit 29). A stronger IPO market and availability of cheaper debt contributed to an increase in investment opportunities. Several PE transactions took place even in peripheral regions such as Italy and Spain, that were comparatively less active in 2H13.[18f]
- Funds focusing specifically on buyouts declined with only two funds raising more than US$1B in 1H14. This downward trend was partially offset by an increase in fundraising by growth equity, restructuring, and debt funds.[18g]
- Although fundraising was high in 1H14, overall investment by PE firms appears to have been moderate in the region. European buyouts maintained a consistent share of overall deal activity in 1H14 with bolt-on acquisitions accounting for almost half of the buyout deals.[18h] Also, European mid-market businesses continued to draw attention from the U.S. PE players, as they face a saturated market at home.[18i]
- Secondary and trade sales continued to be popular sources of exit. However, there was a sharp rise in exits via the IPO route as the opening up of the European equity market prompted PE firms to sell their shares.[18j]

Exhibit 30: Aggregate value of PE-backed buyout deals was highest in North America. (US$B)



Source: Preqin, July 2014

Exhibit 31: Top five funds to hold a Final Close in 2H13

Fund	Firm	Type	Final size (US$B)	Firm country	Fund focus
Ardian Secondary Fund VI	Ardian	Secondaries	9	France	Global
Bain Capital Fund XI	Bain Capital	Buyout	7.3	U.S.	Global
Clayton Dubilier & Rice IX	Clayton Dubilier & Rice	Buyout	6.4	U.S.	Europe
Permira V	Permira	Buyout	5.5	UK	Global
Onex Partners IV	Onex Corporation	Buyout	5.1	Canada	North America

Source: Preqin, July 2014

Private Equity (cont.)

Expert Speak—Key Trend and Outlook

Mehmet Sami

Partner, M&A and Debt Advisory, (Deloitte-Turkey, Istanbul)

- "Where to play" — As funds control more capital, they will notice they lack attractive deals which will ultimately force them into diversification. This will encompass new strategies for talent, deal types, sectors and ultimately geographies.
- This strategic shift will result in emergence of new challenges and will make sustainable results harder to achieve. To highlight a few, funds need to pay more attention to shifting sands like "macro challenges" (macroeconomic and regulatory changes), in addition to understanding business microeconomics. Also, cross-border deals will become the norm when exiting. Funds therefore, need to rely on advisors with network powers and local talent to assist in investments and exits.
- All in all, "where PE funds play" will require new strategies. Those expanding geographies and utilizing deeper pools of local talent to discover and control diverse investment opportunities will earn respect.

Outlook

With an apparent increased appetite for investments, PE activity is expected to maintain a good pace in 2H14. However, with record amount of dry powder, GPs may have to pay higher prices for quality assets as competition for them is expected to remain intense. Robust IPO markets and recovery in corporate M&A activities strengthened exit channels, thereby increasing liquidity in the market. LPs are committed to increasing their allocations toward the asset class and are tapping growth opportunities beyond their domestic boundaries in order to diversify their portfolios.

- Fundraising in the U.S. is expected to grow as investors demand more PE exposure, although the average fund size will continue to drop as LPs pursue smaller and less competitive deals. Secondary buyouts continue being an active channel used by GPs for deal activity as such transactions are relatively easier to complete as compared to the acquisition of publically traded companies.[19e]
- The outlook for the European PE market appears to be promising as large players continue to invest in the region owing to its economic recovery. Small and mid-market European buyout funds are expected to attract more interest as competition and valuations for large targets remain high.[19f]
- With growing investment opportunities, new capital is set to flow into the Asia Pacific region. However, investors are being highly selective and are streamlining their allocations to PE players with a strong distribution history.[19g]

Asia Pacific

- In 1H14, PE activity witnessed an uptick in Asia Pacific as it steadily evolved into a maturing market. With an increase in deal value and improvement in exit activity, LPs appeared willing to increase their commitments toward PE firms. However, heightened competition for quality targets and steep valuations made them selective about investments as they sought safety of their funds along with good distributions.[19a]
- With record amount of unspent capital in the region, GPs are focusing on highly structured minority investments and buyouts in profitable companies that generate suitable returns for investors.[19b]
- The re-opening of the mainland China stock exchanges was a positive development as the region saw several exits via IPOs. PE backed M&A activity also gained momentum.[19c] This favorable exit environment enabled return of capital to investors who had money piled up in PE funds.[19d]
- The growing investment opportunities in emerging economies of Asia have resulted in a lot of cross border investments. With an increase in potential exit options, PE firms seem to be becoming more confident about their investments in the region.

Outlook

Some of the asset classes are expected to exhibit uneven performances, with high yielding securities poised to outperform low yielding safer ones. The imminent rate hikes expected toward the end of 2H14 or early 2015 could affect issuance as companies rush to raise cheaper capital while they can. Issuers are expected to favor fixed income securities to raise capital only till interest rates remain low. Improving macroeconomic fundamentals, especially in Europe, are expected to bolster total issuance across instruments. Heightened M&A activity has also been witnessed in most economies, thus virtually ensuring promising capital market activity in 2H14. Asset valuations may attract regulatory scrutiny, since questions have been raised with regard to the intrinsic value of securities of late.[20a]

In the short term, it will be important to observe the impact of the following on capital markets:

- Fed's winding down of the monetary stimulus in October[20b]
- Recent violence in Iraq and the subsequent effect on the supply of crude oil[20c]
- The ongoing Palestine-Israel crisis[20d]
- Russia-Ukraine political standoff[20e]

Recognizing the most suitable instruments and geographies to ensure continued access to adequate low cost funding is crucial. Exhibit 32 provides possible options—financial instruments and geographies—for companies to consider when raising capital based on expected growth rates and the short-term outlook.

Exhibit 32: Potential instruments and geographies in which to raise capital in the short-term

	Growth 2H13 to 1H14			Forecast 2H14		
Financial Instrument	United States	Europe	Asia Pacific	United States	Europe	Asia Pacific
IG bonds	◕	●	◕	◕	◕	◕
HY bonds	◕	●		◕	◕	◑
IG loans	◑	◔	◔	◑	◕	◑
Leveraged loans	◕	●		◕	●	◑
Equity	◔	●	◕	◑	◕	◕
Private equity	◔	◕	●	◑	◕	◑

Note: Definition of Emerging Markets/Asia Pacific differs across instruments; CLO, Private Placement and Sukuk are not included;

Sources: Preqin, Standard & Poor's Financial Services LLC, Leverage Commentary & Data, Bloomberg

Legend

Market	Range	Symbol
High-growth market	30% and higher	●
Low- to moderate-growth market	5% to 30%	◕
Neutral	-5% to 5%	◑
Declining market	Below -5%	◔
Insignificant market	–	○

Deloitte Debt and Capital Advisory

Global debt financing expertise

Client	Transaction	Country	Amount
Autogrill/WDF	Spin-off and Refinancing	*Italy*	€1.25bn
GEMS Education	Refinancing	*UAE*	US$545m
Garda World Security	Refinance & HY bond issue	*Canada*	C$700m
ENVIEM/Gulf	Refinancing	*Netherlands*	€200m
Shanks	Refinancing & bond issue	*UK*	€280m
Tanga Cement	Growth debt capital	*S.Africa/Tanzania*	$161m
KNV Group	Development financing	*Germany*	€200m
Virutex Ilko	HY private placement	*Chile*	US$25m
TTPC	Bond refinancing	*China*	MYR1.375bn
Cathay/Emirates	Aircraft backed lease	*S.Korea*	$25m
Hatco Stetson Resistol	Refinancing	*US*	$NDm
PT BUMA	LT debt rescheduling	*Singapore*	US$800m
Manx Telecom	Unitranche finance	*UK*	£127m
Cone Artu	Development financing	*Brazil*	R$270m
Farga	Debt advisory restructuring	*Spain*	€87m
Australian Rail Track	Debt raising CAPEX facility	*Australia*	A$500m

Deloitte Debt Advisory has advised on over US$100.0B of debt financing over the last 5 years

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- The Deloitte Debt Advisory group is an network of 130 debt advisory professionals in over 25 countries
- We provide independent advice and world-class execution resource to a wide range of public, private and institutional borrowers across the full spectrum of debt markets
- Our expertise ranges from the provision of strategic advice on the optimum capital structure and available sources of finance through to the provision of highly experienced execution resources
- Where appropriate, the Debt Advisory group will involve other service lines within Deloitte including Corporate Finance Advisory, Tax, Transaction Services, Restructuring Services, Forensic and Dispute Services and Consulting

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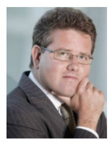

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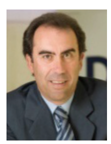

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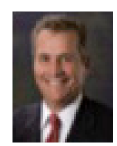

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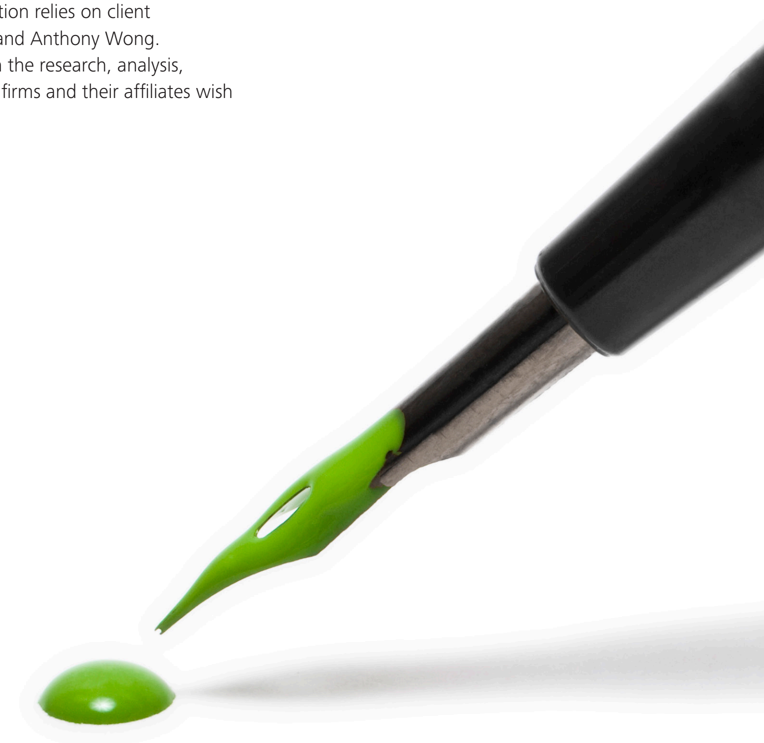

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