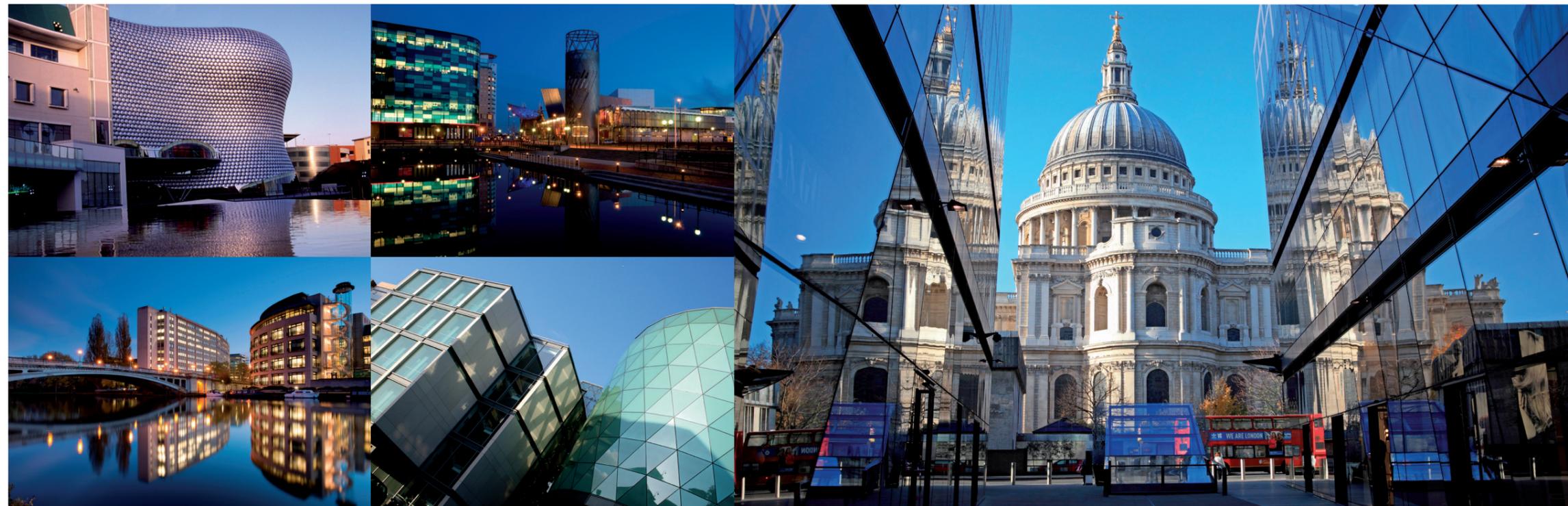


Deloitte Alternative Lender Deal Tracker Focussed on primary deal flow in the UK Mid Market



Deloitte Alternative Lender Deal Tracker

Dear reader,

Welcome to the first issue of the **Deloitte Alternative Lender Deal Tracker**. We're very excited about the results. To date, 20 leading alternative lenders have signed up, completing a total of 55 deals in the last 12 months. We would expect the number of alternative funds participating in the Deloitte Alternative Lender Deal Tracker to increase over time.

The Deloitte Alternative Lender Deal tracker monitors the primary market deal activity across alternative lenders operating in the UK mid-market on a quarterly basis and will give you valuable insight into the evolving alternative lender landscape. In this first edition, we have also included highlights from Deloitte's regular CFO Survey that show increasing corporate optimism.

The alternative lender community is becoming increasingly relevant for UK mid market companies. In the last year, we have seen strengthening activity from alternative lenders in the UK mid-market, in particular with the success of the uni-tranche product. We anticipate that this trend will continue in 2014 against the backdrop of a strongly improving economic outlook.

Yours sincerely,



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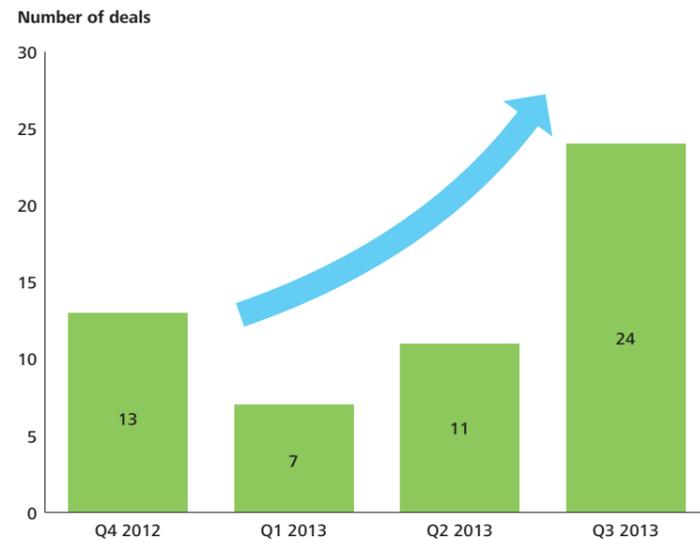
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Alternative lenders becoming increasingly mainstream ...

Alternative Lender Deal Tracker

- Covers 20 leading alternative lenders, who have participated in 55 UK mid market deals in the last 12 months.
- Only primary mid market UK deals with debt up to £300m are included in the survey.
- Q3 2013 had the highest deal flow with 24 transactions. Deal flow in Q1 2013 was the lowest with alternative lenders participating in only 7 transactions.

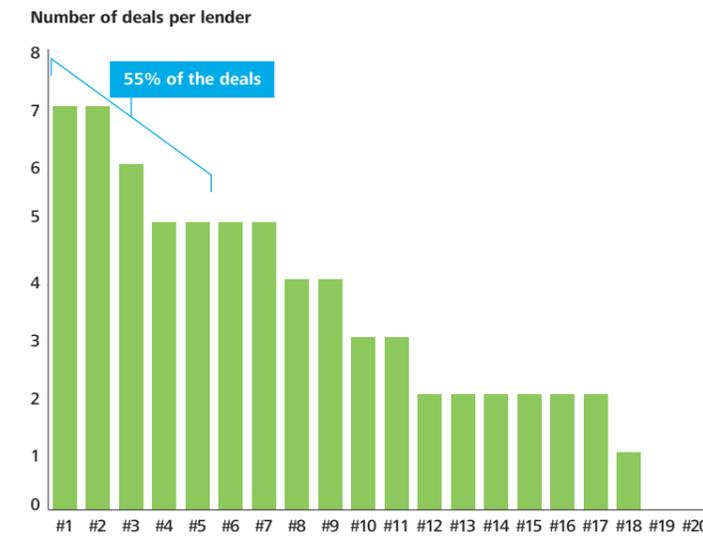


Transactions with alternative lenders more than **tripled** since Q1 2013.



Survey participants

- The two most active alternative lenders each participated in 7 transactions.
- The top 5 lenders by deal flow in last 12 months have participated in 55% of the transactions included in our survey.
- Only 10 transactions involved multiple alternative lenders.
- 45% of the participating funds have completed 2 or less transactions in the last 12 months.



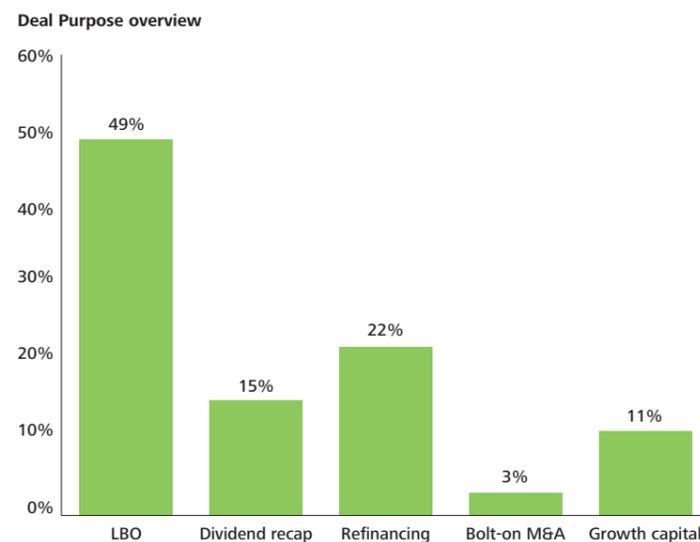
Uneven distribution with top 5 funds participating in **55%** of the transactions.



... providing bespoke structures to borrowers

Deal Purpose

- The majority of the deals are LBO related, with 49% of the deals being used to fund a buy out.
- 22% of the deals completed related to refinancings, while only 15% related to a dividend recap.
- 46 transactions included a private equity sponsor. Only 9 deals did not involve a sponsor.

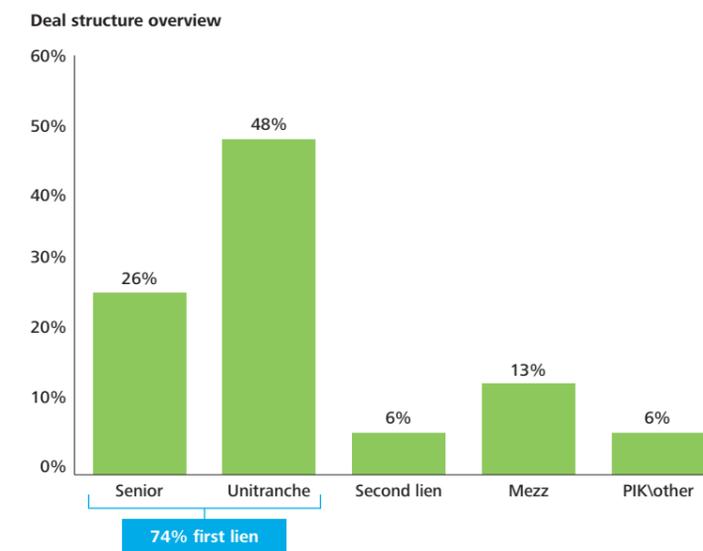


67% of the transactions involve M&A or a dividend recap.



Structures

- Unitranche is the dominant structure, with 48% of the transactions classified as a Unitranche structure.
- For the purpose of the deal tracker, we classify senior only deals with pricing L + 650bps or above as Unitranche. Pricing below this hurdle is classified as senior debt.
- Alternative lenders are mainly competing with banks, as 74% of the transactions are structured as a first lien structure (Senior/Unitranche).
- Subordinated structures represent only 25% of the transactions.



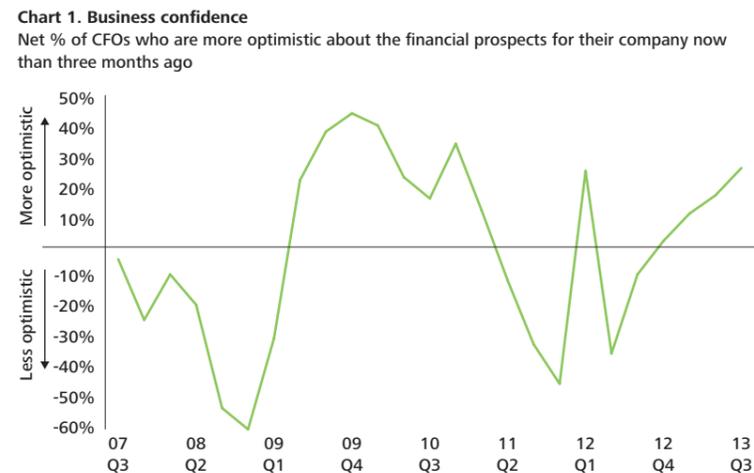
74% of the transactions are structured as first lien Senior or Unitranche.



Results from Deloitte's CFO survey, Q3 2013

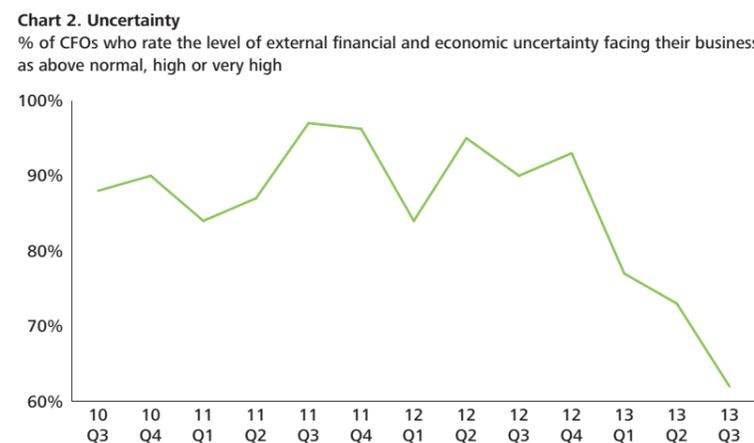
Greater optimism

CFO optimism has risen for the fifth consecutive quarter and is now running close to a three-year high.



CFOs' perceptions of economic uncertainty have continued to fall.

62% of CFOs report the level of financial and economic uncertainty facing their businesses is above normal, high or very high, down from 97% two years ago.



Fears of a euro break-up have also subsided.

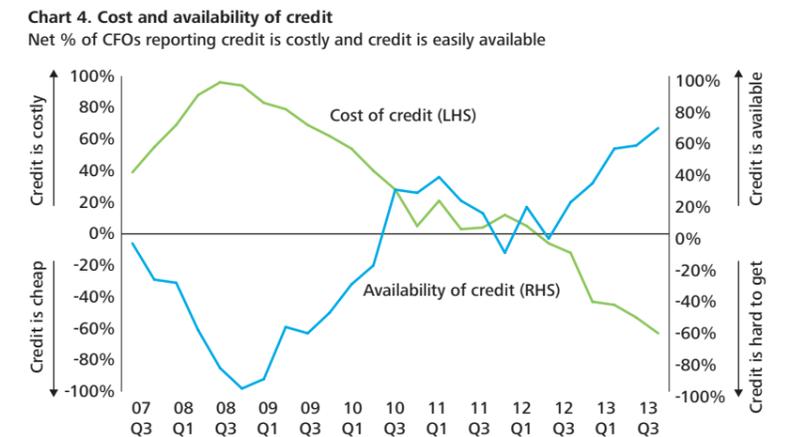
CFOs now assign an 8% probability to the euro area breaking up in the next 12 months, the lowest reading in two years.



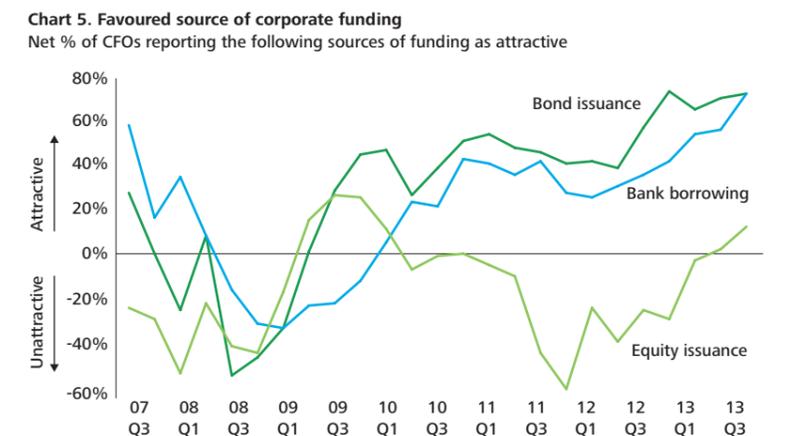
Easy credit

For the large companies in the CFO Survey credit conditions have improved continuously for more than a year.

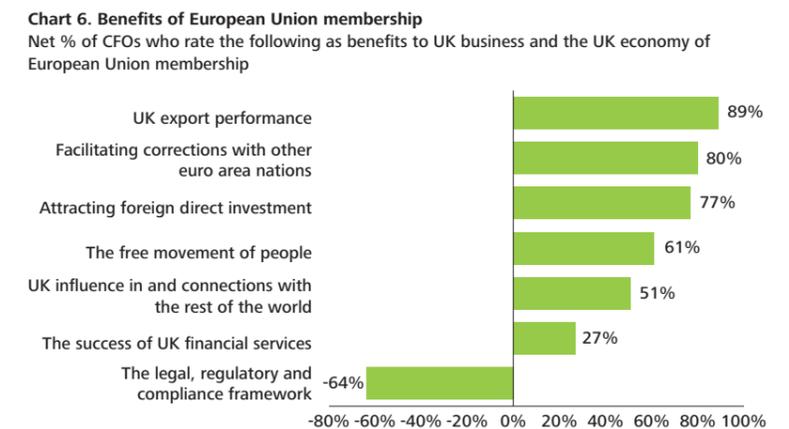
CFOs now rate credit as being cheaper and more available than at any time in the last six years.



Bank borrowing has become significantly more attractive to CFOs in the last two years. CFOs rate bank borrowing and bond issuance as being equally attractive. Equity issuance has moved back into favour as a source of funding for the first time in four years.



CFOs see benefits from UK membership of the European Union in all but one of the seven areas covered in this quarter's special question. The exception is the EU's legal, regulatory and compliance framework where CFOs are, on balance, fairly negative.



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One of the **most successful** and geographically diverse Debt Advisory teams.

Recent Debt Advisory Credentials

Leveraged Finance	Morgan Stanley Refinancing	Express Engineering Refinancing	Rutland Refinancing	Graphite Capital Refinancing	Caird Capital Refinancing	HgCapital Refinancing	Ainscough Crane Hire Refinancing
							
	October 2013 £91m	October 2013 £35m	May 2013 £85m	April 2013 £NDm	March 2013 £126m	March 2013 £NDm	January 2013 £105m
	ICG Acquisition financing	Kedleston Acquisition financing	Duke Street Capital Acquisition financing	CT & Kester Capital Refinancing	HgCapital Stapled debt	Bridgepoint Refinancing	HgCapital Refinancing
							
	November 2012 £NDm	October 2012 £56m	August 2012 £70m	July 2012 £NDm	June 2012 £NDm	June 2012 £NDm	January 2012 £NDm
	Halfords Group plc Refinancing	Regus plc Refinancing	Micro Focus plc Refinancing	Shanks Group plc Retail bond	Ideal Carehomes Refinancing	Mothercare plc Refinancing	Quarto Group plc Refinancing
							
	September 2013 £200m	September 2013 £325m	August 2013 \$420m	July 2013 € 100m	March 2013 £100m	April 2012 £90m	February 2012 \$150m



Extensive experience across
a range of industries and debt structures.



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