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## Current Conditions in the Financing Markets

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June 2009

AUGUSTA & CO  
MERCHANT BANKERS

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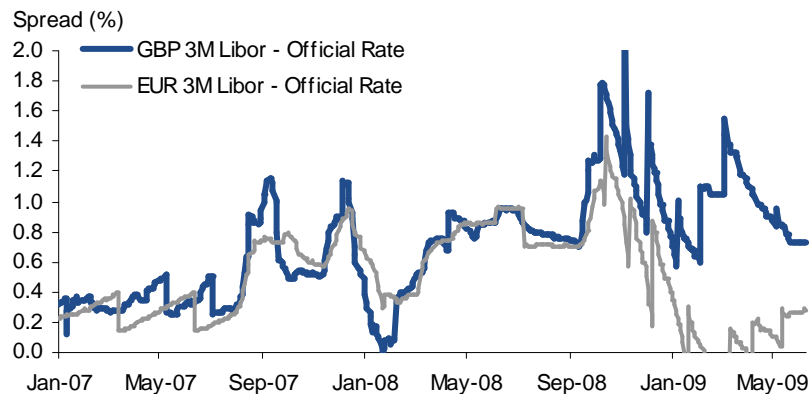
# Challenging environment continues



*Recovery in Europe is expected to be materially slower than US*

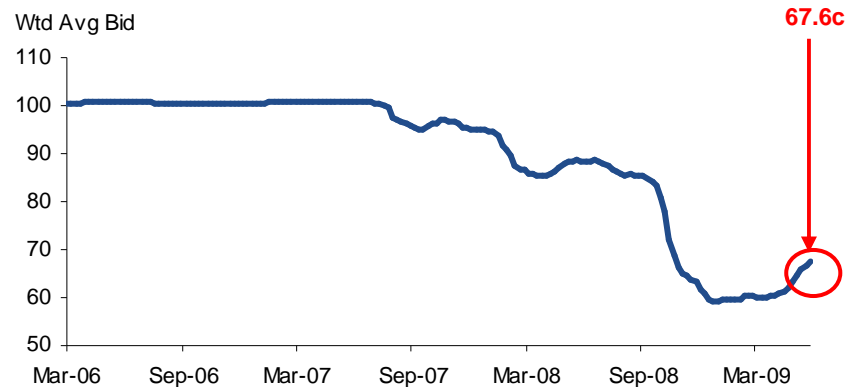
- Overall market is stabilizing
- Secondary debt levels have recovered
  - Recent rally has driven up European flow names\* to 85.5 (12 Jun 09)
  - Defensives have rallied to greater degree than cyclicals
- Cyclical and consumer sector credit quality continues to deteriorate despite some improvement in sentiment
- Most banks continue to be closed for new lending
- Credit funds selectively lending

**3 Month Libor Spread to Central Bank Official Rates**



Sources: BBA, Bank of England, ECB & Fed

**Average Price for European Senior Lev Loans**



Sources: S&P LCD Euro ELLI – tracks 225 issuers across Europe. Data to 28 May 09

\* Flow names are Alliance Boots, Amadeus, Ineos, NTL, PagesJaunes, Smurfit Kappa, Springer, TDC, United Biscuits and Wind

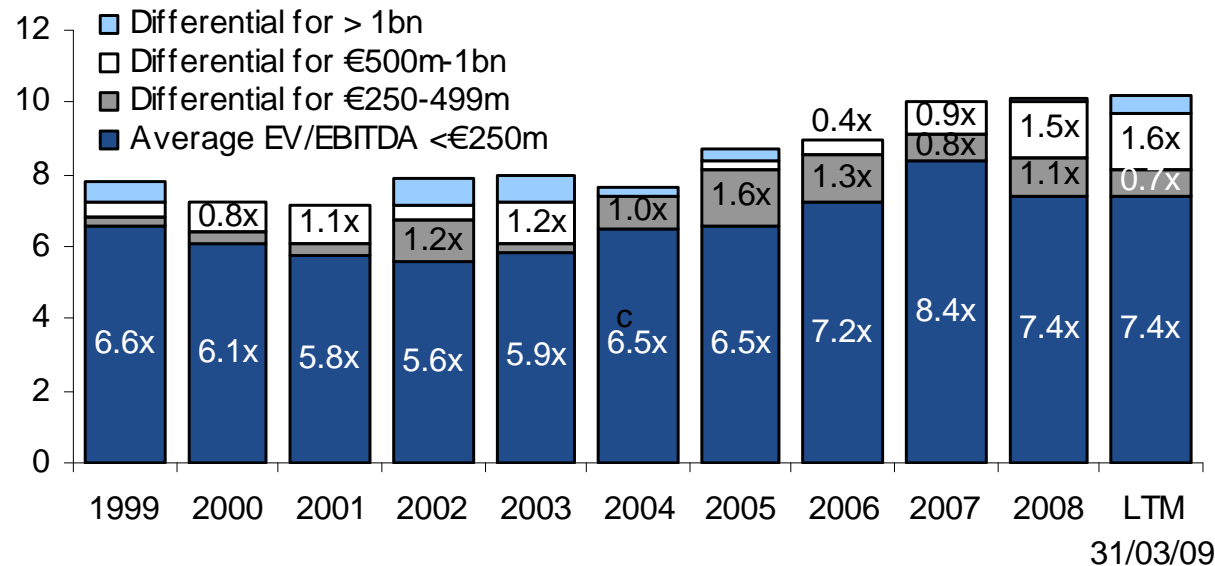
# Enterprise values are declining

*Enterprise valuations coming off slowly as few transactions are completing and sponsors have been making up the gap with more equity*

Enterprise values are slowly declining for smaller companies

- Sponsors have money & are injecting greater equity
- Average equity contribution now 43% up from 33% one year ago
- Strategic/trade buyers often still have money

Differential in EV/EBITDA multiples\* for LBOs by Size



\* based on trailing pro-forma EBITDA before transaction costs for Leveraged Buy-Outs  
Source: S&P LCD

# New deal volumes reduced to a trickle

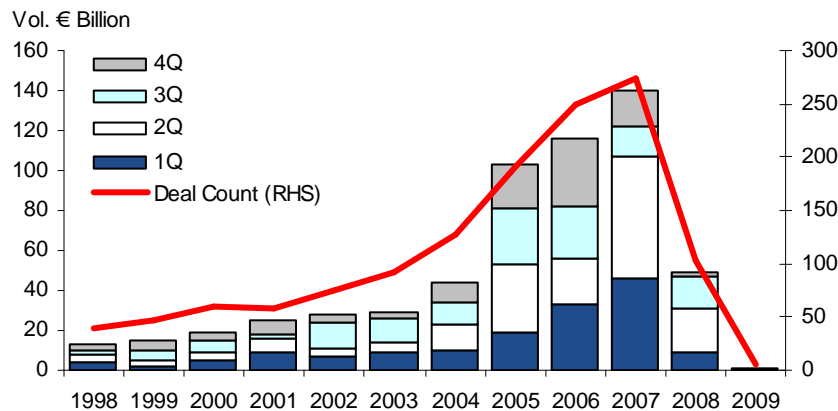


*New deal volumes crashed 50-65% YOY in 2008 and have fallen further QoQ for Q1 2009 as lenders retrench*

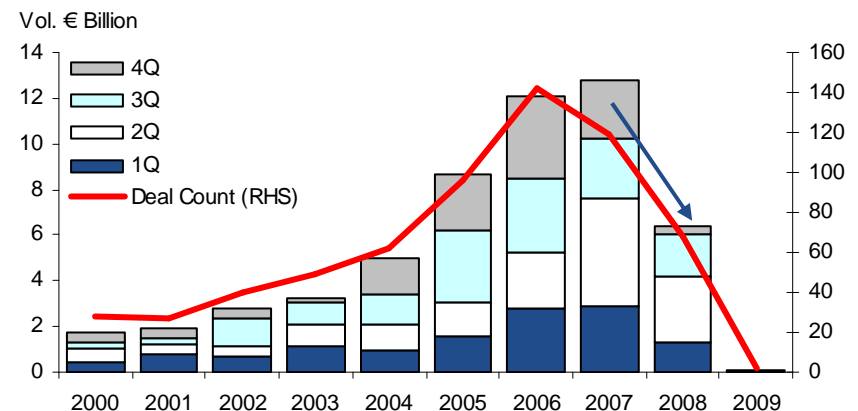
Sponsors assessing new LBOs but a number of factors are preventing close:

- EV multiple expectations vary widely between sellers and buyers
- Raising finance is difficult due to lack of appetite for senior tranches driven by banks balance sheet constraints and lack of CLO activity. New lending is via private placement or through “take & hold” clubs
- Buyers and lenders conscious of current trading conditions and potential for underperformance

**European Primary Senior Lev Loan Issuance**



**European Primary Mezz Loan Issuance**



\* Mandated Lead Arranger – a title used to denote banks that have both led and underwritten a deal for further onwards syndication  
Sources: S&P LCD

# Examples of new LBO financings

*New deals revert to senior plus mezz structure – no second lien*

Some deals are still getting done

- Small to medium sized deals very selectively
- Defensive & transparent credit stories
- Companies with existing strong lender relationships

Six European lev loans have been launched to syndication YTD in 2009

- Limited new money raised

## 2009 LBO Primary deals

	<b>Bodycote Testing Group</b> Specialist testing services			<b>Powerlines</b> Transmission lines, cable systems and telecoms infrastructure contractor			<b>NDS Group</b> Supplies technology for set-top boxes used by satellite and cable TV providers				<b>Wood Mackenzie</b> Scotland energy and research consultancy	
<b>Transaction</b>	Clayton Dublier & Rice LBO Oct 2008			LBO by Gilde Buyout Partners. Acquired from Invest Equity			August 2008 take private by Permira and NewsCorp. Permira 49%, NewsCorp 51%				Candover 75% Employee SH 25%	
<b>Date closed</b>	<b>Feb-09</b>			<b>Feb-09</b>			<b>launched May 09</b>				<b>19-Jun-09</b>	
<b>Debt package</b>	£35M	Revolver	L+300	€100M	Senior and Mezz	N.A	\$150M	7-year revolver	L+350		£170M	TLA/TLB
	£46M	7-year TLA	L+350				\$350M	7-year TLA	L+400		£10M	RCF
	£50M	8-year TLB	L+400				\$490M	8-year TLB	L+450	96 OID	£70M	Mezz
	£50M	9-year TLC	L+450				\$340M	Mezz	13.75%	2 NC		
	£20M	7-year Capex	L+300									
	£54M	Mezz	E+1150									
<b>Arranger/club EV</b>	BarCap, RBS, BNP, RBS £417M			Sal Oppenheim, Deutsche Bank, N.A			Bol, BNP, Lloyds, JPM, MS circa \$1.76Bn				HBOS, HSBC, Nomura £550M	
<b>Comments</b>	£20M tickets fee of 300bp, £15M tickets fee 200bp. Rumored price for institutional investors mid 90s			Syndication was oversubscribed. All institutions were scaled back.			\$50 million for an arranger title earning a 400 bps upfront fee, and \$25 million for a co-arranger title earning a 300 bps upfront fee				HBOS, HSBC, Nomura underwrote. Some of existing lenders (Barclays, Bank of Ireland, NIBC, and Ares Capital), are rolling	
	Leverage 3.7x senior, 5x total			Mezz placed prior to launch			Debt makes up 35% of the capital structure and equity and equity-like instruments make up the remaining 65%				2.5% LIBOR floor may be included on the mezzanine tranche	
				Senior leverage below 3x and total below 4x 2008 EBITDA. Equity of more than			Net leverage 3.2x senior, 4.6x total				Mezz placed with existing and new lenders.	

Sources: Company information, news sources, S&P LCD, Debtwire and market discussions

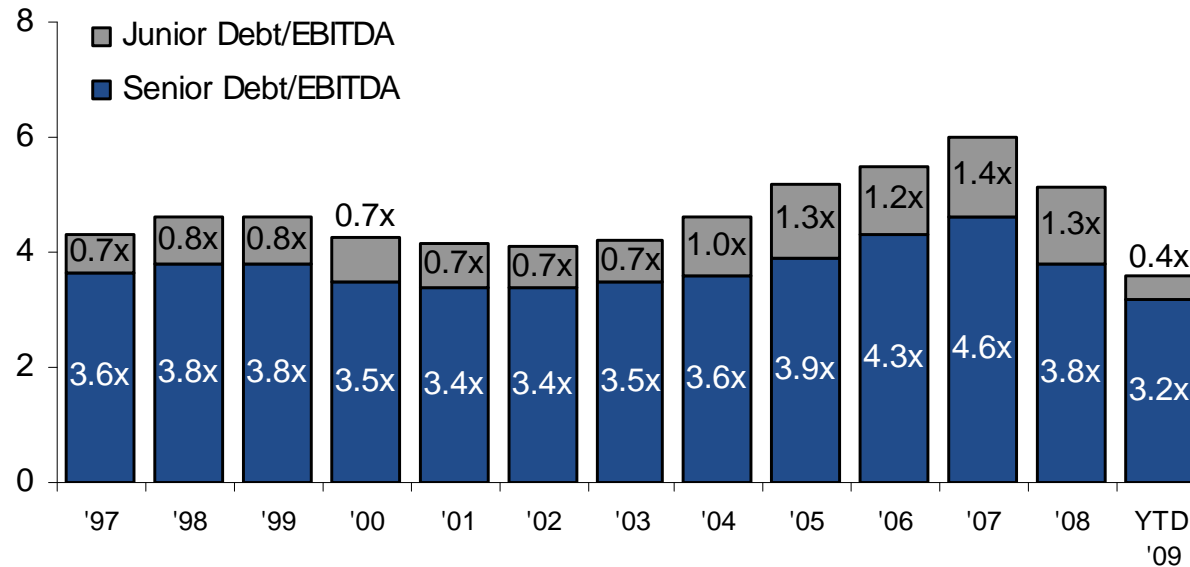
... reflect reduced risk metrics

*There has been a rapid reduction in risk metrics of new deals*

Leverage multiples have peaked and are now rapidly declining

- New deals now being structured within 3.0-3.5x senior, 4.0-5.0x total
- Smaller deals usually at 0.5x multiple less
- Market now accepts far less “pro-forma add-backs” to EBITDA

Development of Average Credit Metrics\*



\*YTD 2009 based on 3 deals

## ...and hardening pricing

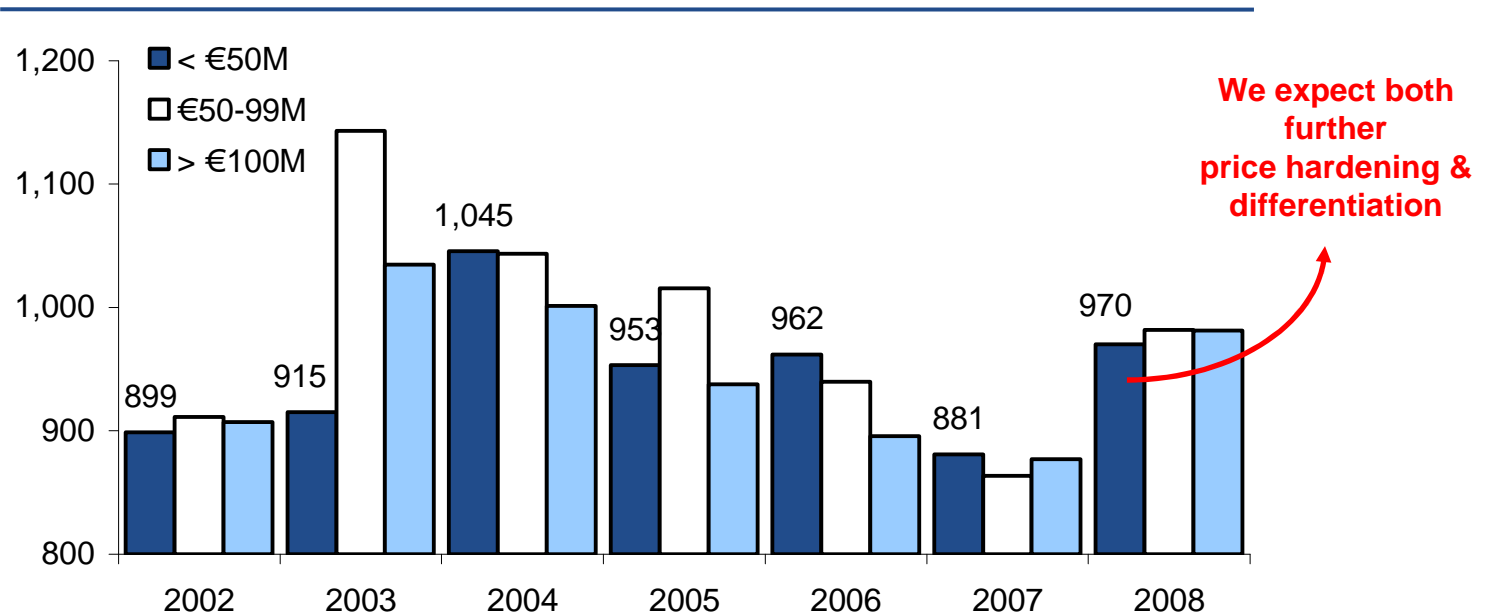
*Senior is most difficult to find, greater supply of mezz*

*Deal stats getting thinner – and pricing benchmarks show greater dispersion*

New deal credit pricing started hardening across the strip

- Senior pricing widely spread, increasingly moving out to L+4-6 + fees
- Mezz pricing now L+10-15 with warrants + fees
- Non-call period/investor protection rising to 2-3 years, with penalties thereafter

European Mezz Spreads by Facility Size\*



**We expect both further price hardening & differentiation**

\*Lack of sample size YTD 2009 for meaningful data

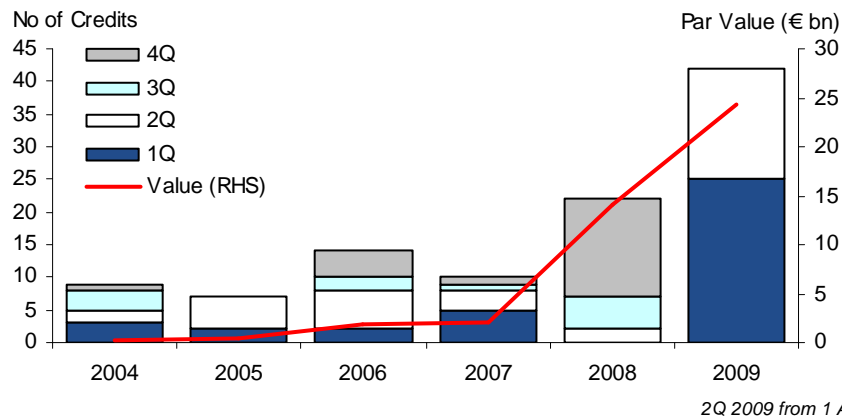
# Credit quality is deteriorating...



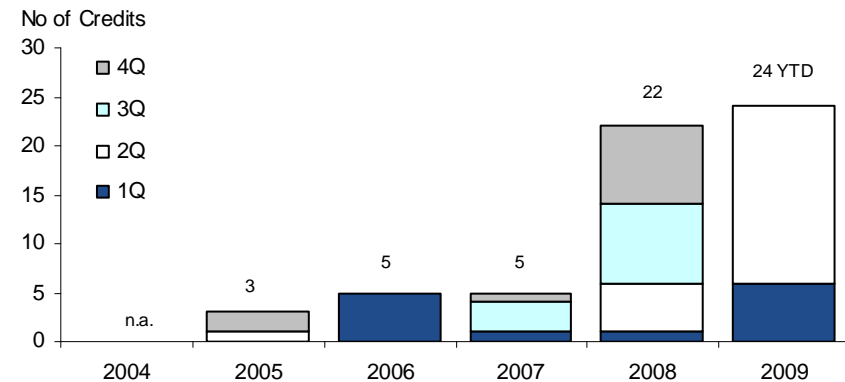
## Significant credit deterioration:

- Especially in cyclical and consumer related sectors
- High incidence of covenant breaches (affecting 20-30% of portfolios) so far!
- Given the severity of the recession in Europe and a sharp deterioration in credit quality, the European default rate is expected to rise sharply over the next six months. Some commentators are expecting defaults to rise significantly (above 15%)
- Expectations that Loss in Event of Default will also worsen to below 40%

### European Distressed\* Credits



### European Covenant Amendment Requests~



\* Defined as credit downgraded to D or in restructuring  
 ~ tracked by S&P LCD service  
 Source: S&P LCD, Moody's Investor Services, Debtwire

## ...resulting in more restructurings

More rapid progression from covenant breach through to restructuring

- From 1Q09, a large number of companies that had sought covenants amendments have now progressed to full restructuring

### Credits Currently 'Popping' Covenants

- Ahlsell (Swedish DIY wholesaler)
- Desjonqueres (French glass producer)
- FTE automotive (German autoparts)
- Fraikin (French vehicle rental)
- Com Hem (Swedish cable)
- Hilding Anders (Swedish bed/mattress co)
- Materis (French building material supplier)
- Monliffior Loisirs (French casino operator)
- Stabilus (German gas springs maker)
- KDG (German cable)
- Chevriillon Philippe (French printing)
- SR Technics (Swiss aircraft maintenance)
- Towergate (UK insurance)
- Hayes Lammerz (US autoparts)
- Balta (Belgian carpets)
- Matalan (UK retailer)
- Seat Pagine Gialle (Italian directories)
- Ineos (global chems)
- Famosa (Spanish toymarker)
- ONO (Spanish cable)
- Global Closure (Italian packaging)
- Foxton (UK estate agents)
- Virgin Media (UK cable)

### European Restructured(ing) Credits

- Novem (German autoparts)
- Saeco (Italian coffee machines)
- SEA Autocaravan (Italian Motor caravan)
- IMO Car Wash (German services)
- Ferretti (Italian luxury boats)
- Countrywide (UK estate agents)
- Four Seasons Healthcare (UK health)
- Sanitec (Nordic bathroom fittings)
- Kronos (European commodity chems)
- McCarthy & Stone (UK builder)
- Akerys (French builder)
- Crest Nicholson (UK builder)
- Autodistribution (French autoparts)
- ATU (German autoparts)
- Mark IV (global autoparts)
- Neumayer Tekfor (German autoparts)
- Lafarge Roofing (French building mats)
- British Vita (UK chems)
- Levantina (Spanish building mats)
- Thule (Swedish autoparts)
- Honsel (German autoparts)
- Nybron (Swiss flooring)
- JVH Gaming (Dutch leisure provider)
- 20:20 (UK telecoms service provider)
- VNU Media (Dutch B2B publisher)
- TI Automotive (UK autoparts)
- Linpac (UK packaging)
- Select Service Partners (UK Catering)
- Monier (German Building Materials)
- Terreal (French building mats)
- Linpac (UK Packaging)
- Thomson (French technology)
- Treofan (German polypropylene film)
- Almatis (Dutch speciality chemicals)
- BorsodChem (Hungarian chemicals)
- Domestic (Caravan fridges)
- HeidelbergCement (German cement producer)
- Ideal Stelard (Caradon) (UK boilers)
- La Seda (Spanish packaging)
- Schoeller Arca Systems (Dutch plastic packaging)
- Neumayer Tekfor (German autoparts)
- Kaufman & Broad (French builder)
- Incisive Media (UK business information provider)
- Gallery (Outdoor advertising)

### Recent European Bankrupt Credits

- Visteon UK (UK autoparts)
- TMD Friction (German autoparts)
- Edscha (German autoparts)
- IT Holdings (Italian fashion)
- LyondelBasell (commodity chemicals)
- Baugur (UK/Icelandic retail)
- Mecachrome International (French/Canadian auto and aerospace manufacturer)
- Belvedere (French drinks)
- Waterford Wedg. (Irish lux goods)
- Martinsa-Fedesa (Spanish real estate)
- Woolworth (UK retailer)

# Lenders are pushing back...

Recent examples of covenant breach waivers and amendments demonstrate:

- Push-back lenders achieving higher fees, higher margins and tighter documentation
- De-leveraging is a key theme, with additional equity used either to buy-back or repay debt

## Selected Recent Examples of Covenant Amendment Requests

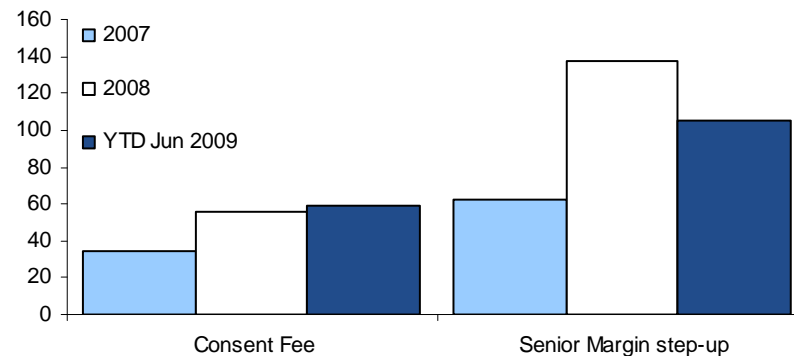
	<b>Seat Pagine Galle</b> Phone Directories Jul-05 LBO	<b>Balta</b> Carpet Maker Jun-04 MBO	<b>Materis</b> Building Materials Feb-06 LBO	<b>Fraikin</b> Vehicle Rental Mar-07 Refi	<b>Ahlsell</b> DIY wholesaler Jan-07 Div Recap
<b>Sponsor</b>	BC Partners, CVC, Investitori Associati and Permira	Doughty Hansen	Wendel Investissement	CVC Capital Partners	Cinven & Goldman Sachs Capital Partners
<b>Request Date</b>	05-Dec-08	26-Jan-09	23-Apr-09	13-May-09	28-May-09
<b>Approval Date</b>	19-Dec-08	02-Mar-09	Pending	22-Jun-09	Pending
<b>Approval Threshold</b>	67%	66.7%	66.7%	66.7%	66.7%
<b>Equity Injection</b>	€200m*	€0m	€45m	€15m	€0m
<b>% of Total Financing</b>	6.3%	0.0%	2.3%	3.9%	0.0%
<b>Senior Prepayment</b>	€50m*	€0m	€20m	€0m	€0m
<b>Snr Cov Headroom Yr 1</b>	20.0%	20.0%	20.0%	15% - 20.0%	15.0%
<b>Snr Cov Headroom Yr 2</b>	20.0%	20.0%	20.0%	15% - 20.0%	15.0%
<b>Consent Fee</b>	0.50%	1.00%	0.25% (0.375% Earlybird)	0.50%	0.375% (0.75% Earlybird)
<b>Senior Margin Step-up</b>	0.75%	1.25%	0.75% PIK	1.50%	1.00%
<b>2nd L/Mezz Margin Step-up</b>			0.50%		1.00%
<b>Documentation changes</b>	Headroom on capex limitation reset to provide 15% headroom	Strengthened documentation and improved language	Yearly capex limit reduced and Cash-sweep increased to 90%	Additional 25% increase to cash-sweep mechanism	
<b>Comments:</b>	*27 Jan 2009 Shareholders approved €50 million senior debt prepayment and up to €200 million capital increase of which 50% will be used for debt repayment.	Covenants reset for 3 years	Achieved 80% on covenant reset, but require 85% on TLA and Acq & Capex Facility roll into new facilities with same maturity but reduced amortization.	€15 million equity injection to be used to de-lever the company (either via a debt buyback, via a modified Dutch auction, and/or a debt prepayment at par after six	Covenant reset requested until maturity 2013

Source: Company information, news sources, S&P LCD, Debtwire and market discussions

## Amendments: Economics

- Economics for covenant amendments – both consent fee and margin step-ups – have been trending upwards although YTD 09 has not reached the margin levels seen in 4Q08
- 4Q08 average consent fee was 66 bps and average senior margin step-up was 162.6bp
- Average consent fee YTD09 is 77.25bp and senior margin step-up 125bp
- Restricting universe to LBOs both fee and margin step-ups are higher

### Average European Covenant Amendment Economics



*YTD Jun 2009 data includes amendments proposed but not yet approved*

## Restructurings now more costly & difficult

Restructuring now much more complex & brutal

- No refinancing available
- EV multiples deteriorating
- New money – drives the deal and defines value break
- Senior resistance to sponsor led proposals.
- Senior lenders taking the keys

### 1990s Restructuring

#### Environment

- Simple 3 layer cap structures
- Little junior in structure
- Banks valued relationships

#### Typical Consensual Restructuring

- Senior stayed in, motivated by deleverging & relationship maintenance
- Junior converted
- 1-5% retained by old equity

### 2000-2007 Restructuring

#### Environment

- Debt traded, with new funds in senior pushing for refi at 80-90c
- Greater junior
- Value breaks in junior

#### Typical Consensual Restructuring

- Senior refinanced or senior sticking plaster
- Junior converted or flushed out
- 1-2% retained by old equity at best

### 2008-2009 Restructuring

#### Environment

- Debt traded and all have lost money
- Multiple parties
- Senior syndicates often dysfunctional, can't follow the money
- Value breaks in senior

#### Typical Consensual Restructuring

- New money driving distressed debt/equity exchanges
- Junior & old equity flushed out
- If no new money required, senior effect short-term "sticking plaster" on zombie companies

## Current restructuring issues

*Increasingly  
access to  
new money  
drives  
successful  
restructuring*

Each situation is different but key issues are:

- New money requirement?
- Jurisdiction of assets and value: what cram-down compulsion exists & value maximisation compulsion exists?
- Cross-over among creditor classes
- Management – where is/who buys their loyalty?
- Documentation – junior inter-creditor protections often very weak
- Litigation/frustration value of a valuation fight

### **New Money Requirement**

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- As senior lenders can not generally provide new money effectively become a forced seller
- Sponsor/New Money bids very low as can buy without DD, close quickly but bid with a short leash
- If lenders want to sell instead, have to sell through insolvency which is much riskier & costlier

### **No New Money Requirement**

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- Lenders effect short-term fixes to price-up but keep the loan “current” or can’t hold equity
  - Capital structure is not fixed
  - Companies become zombies
  - Management disincentivised
-

# New money providers in recent European LBO restructurings

Source	Considerations	Money (€m)	Selected examples	Investors
<u>Incumbent Sponsors</u>	- Possible only if incumbent has funds available	115	Sanitec	EQT
	- Requires consensual arrangement	61	Limoni	Bridgepoint
		20	SEA	Bridgepoint
		40	British Vita	TPG*
		50	Honsel	Ripplewood
<u>Incumbent Lenders</u>	- Increased lenders' negotiating power	55	British Vita	Senior and mezzanine lenders*
	- Difficult given capital constraints of most lenders	150	Monier (see appendix)	Senior lenders**
	- Easier in case of smaller, uniform syndicate groups			
<u>Third Party - Private Equity</u>	- Somewhat difficult for new PE to outbid incumbent except if incumbent constrained	84	Autodistribution (see appendix)	TowerBrook
		150	Monier (see appendix)	TowerBrook, Apollo, York Capital**
<u>Third Party - Distressed Funds</u>	- Typically via "loan to own"			
	- Non consensual arrangement	86	Countrywide	Oaktree, Alchemy SS, Apollo, Polygon
	- Modality depends upon local legal requirements	150	Monier (see appendix)	TowerBrook, Apollo, York Capital**
	- Ability to underwrite new money requirement key			
<u>Third Party - Trade Buyers</u>	- Better suited in cases of real turnaround	260	Saeco (see appendix)	Philips
	- Trade buyers add synergy potential and management know how	300	Opel	Magna consortium***

\* TPG has provided new moneys alongside senior and mezzanine investors

\*\*Senior lenders acting in concert with distressed investors and PE

\*\*\* Pending

Note: Sanitec excludes new €50m revolver offered by lenders; Limoni includes €15m shareholder loan and €6m previously committed to fund working capital; British Vita had €95m total new money invested which came from TPG(€40m)/Mezz. lenders(€20m)/senior lenders(€35m); Monier has two proposals pending, PAI's would seek €35 from senior lenders whereas the lenders proposal would inject €150m new money through a super senior tranche; Autodistribution total equity injection was €108m, of which €84m was from TowerBrook and €24m was from Investcorp

## Current lending capacity for new deals

*There is  
lending  
capacity but  
it is costly  
and cautious*

Market is suggesting €300-400m capacity for a good 'freshly-peeled' LBO

- Our experience is that a lot of bank capacity is wishful thinking

Credit fund capacity limited

- Preoccupied by opportunities to buy cheap loans in secondary
- Will only tend to lend senior if secures higher yielding mezz lend
- Very size orientated, most want €50m lends

HY/private placement insurance market has capacity but only for cross-over/BB high quality credits

### Active European Banks (c12-15 still Open)

- UK Banks: increasingly closed pending govt action
- German Banks: selectively open @ €10-20m tickets
- French Banks: selectively open @ €10-25 tickets
- Benelux/Dutch Banks: essentially closed
- Italian Banks: selectively open @ €10-20 tickets
- Spanish Banks: increasingly closed
- Irish Banks: essentially closed
- Scandi Banks: selectively open @ €10-25 tickets
- US banks: bar one all others in full retreat

### Active European Funds (c30-40 Open)

- 12-15 large credit funds: selectively open for new deals
- 5-12 new funds: starting with old teams setting up anew
- 10 mezz funds: selectively open across the board
- c20 distressed funds: some increasingly moving into performing lending
- Private equity: setting up/seeding debt teams, some looking at minority equity or even direct lending

# ...but there is also new money coming into the market

*Once in a lifetime credit pricing is attracting new money into the market*

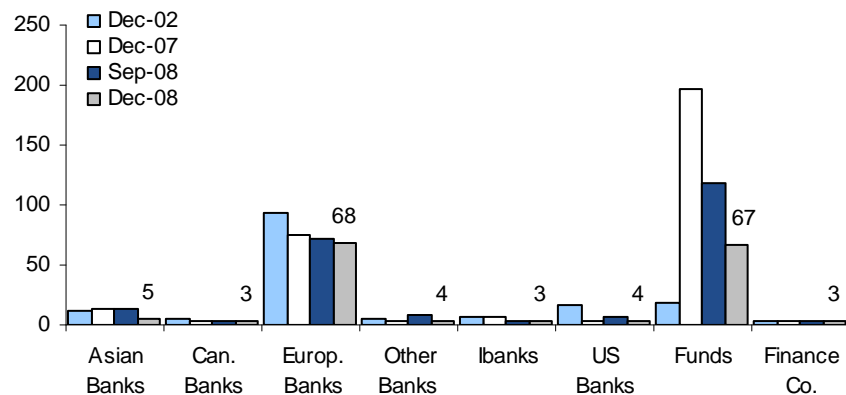
Who has money now?

- PE funds with quality investor backing
- Traditional mezz funds
- Credit funds with long-term unleveraged & locked-in funding
- HY funds

New money is slowly coming into the market

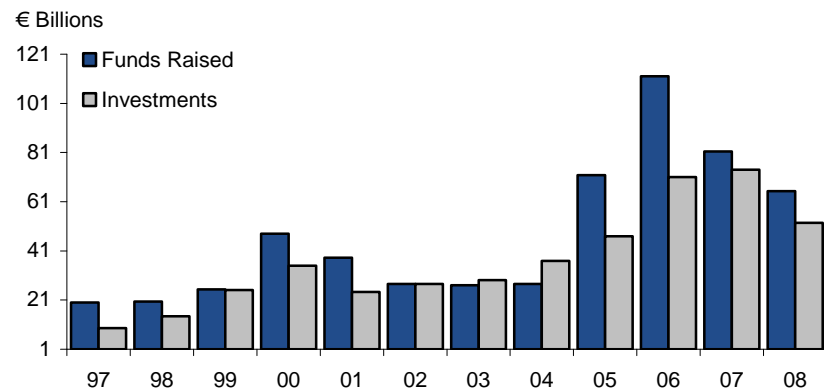
- Attracted by unprecedented opportunities
- We have tracked over €5bn of new money dedicated to Europe

**Active European Lev Loan Lenders**



Source: S&P LCD

**European Private Equity/Buyout Funds Raised**



Sources: EVCA

## HY markets reopen

*Only the highest  
credit quality /sector  
names currently  
have access to the  
HY market*

- European HY market has recently reopened\*
- US HY issuance reached \$18.2 billion in 2Q as of 27-May – up from \$5.1 billion in 1Q, bringing YTD to \$23.3 billion
- In the absence of new issues in the loan market, and because of banks' balance sheets constraints, it's likely more HY issues will come to enable issuers to retire debt

## Recent European Issuer HY Bonds

Issuer	Fresenius US Finance	Fresenius US Finance	Fresenius Finance BV	Stora Enso	UPC Holdings	UPC Holding BV	UPC Holding BV
Date	15 January 2009	15 January 2009	03 June 2009	15 May 2009	23 April 2009	21 May 2009	21 May 2009
Rating	BB/Ba1	BB/Ba1	NR	BB/Ba2	NR/NR	B-/B2	B-/B2
Issue	senior notes (144A)	senior notes (144A)	senior unsecured notes	fixed-rate notes	senior notes (144A)	Senior notes	Senior Unsecured
Amount	€275 million	\$500 million	€150M	€2323M	€250M	€150M	\$400M
Coupon	9%	9%	6%	5%	10%	10%	10%
Price	93.024	93.076	92	74.09	83.5	89.174	
Yield	10%	11%	7%	12%	13%	12%	11%
Spread					+977bps	+848 bps	+809bps
Call	nc-life	nc-life			nc4	nc4	nc5
Maturity	July 15, 2015	July 15, 2015	Jan 31, 2016	June 23, 2014	April 15, 2018	April 15, 2018	April 15, 2018
Purpose	Repay \$650M bridge financing that backed the acquisition of APP Pharmaceuticals in 2008		refinance short-term debt	reduce short-term debt maturities		General corporate purposes	

Issuer	Pernod Ricard	Virgin Media	Virgin Media	CGCVeritas	IFCO Systems	Ardagh Glass
Date	May 28, 2009	May 29, 2009	May 29, 2009	June 2, 2009	June 5, 2009	June 19, 2009
Rating	BB+/Ba1	B-/B2	B-/B2	BB/Ba3	BB-/Ba3	Ba3/BB
Issue	Notes	Senior notes	Senior notes	Senior notes (144A)	Senior Secured	Senior Secured
Amount	€800M	\$750 M	€180 M	\$350M	€200M	€300M
Coupon	7%	9.50%	9.50%	9.50%	10%	9.25%
Price	99.822	95.574	95.574	96.952	95.75	98.116
Yield		10.38%	10.38%	10.13%		9.625%
Spread	+415.6bps	+712bps	+721bps	+695bps	+759bps	
Call		nc4	nc4	nc4	nc4	nc4
Maturity	Jan 15, 2015	Aug 15, 2016	Aug 15, 2016	May 15, 2016	June 30, 2016	July 1, 2016
Purpose	Refinance bank debt	Prepay a portion of its outstanding A and B loans under its senior credit facilities		Refinance bank debt	Refinance 2010 maturity of notes	Repay existing senior debt

Source: S&amp;P LCD

\* Fresenius, Ardagh Glass and VPC

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## **Recent Restructuring Case Studies**

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## Recent restructuring case studies: Saeco

**Saeco International Group SpA**

Italian coffee and vending machine manufacturer, acquired in an LBO by PAI Partners in Dec 2003

FYE 31-Mar

€ Million	Mar-06	Dec-06	Mar-07	Mar-08	Equity Cure Jun-08	Pre Restr. May-09	Post Disposal May-09	Post Disposal Jun-09	Post Disposal Equity %	Comment
Revenue	525.0	525.0	477.0	490.0	490.0					
YoY % $\Delta$			(9.1)%	2.7%						
Adjusted EBITDA	96.2	96.2	93.0	76.7	76.7	22.0	22.0	13.5		€90m originally projected
EBITDA Margin (%)	18.3%	18.3%	19.5%	15.7%		n.a.	n.a.			
Cash										
Old Senior	405.0	0.0								
€50m Senior Revolving					50.0	50.0	0.0	0.0		originally paid E+200; 38c recovery
Senior Debt Term A		150.0			130.0	118.0	0.0	0.0		originally paid E+200; 38c recovery
Senior Debt Term B		146.0			146.0	146.0	0.0	0.0		originally paid E+250; 38c recovery
Senior Debt Term C		146.0			146.0	146.0	0.0	0.0		originally paid E+300; 38c recovery
Senior Debt Term D		70.0			70.0	70.0	0.0	0.0		originally paid E+350; 38c recovery
Mezzanine	50.0	50.0			50.0	50.0	0.0	0.0		zero recovery
Total Available Debt	455.0	562.0			592.0	580.0	0.0	0.0		
Original Equity	50.0	50.0			50.0	0.0	0.0			
Equity Cure					31.5	0.0				
New Equity							260.0	260.0	100.0%	
Estimated EV	505.0	612.0			673.5	580.0	260.0	260.0		
Debt Lev. through Senior	4.2x	5.3x			7.1x	24.1x	0.0x	0.0x		
Debt Lev. through Mezz	4.7x	5.8x			7.7x	26.4x	0.0x	0.0x		
Entry EV Multiple	5.2x	6.4x			8.8x		11.8x	19.3x		

26-May-09: Royal Philips Electronics acq. announced - inject €260m. €200m to repay part of senior debt of which €170m upfront and a further €30m deferred (earnout). €60m to stabilise business. €330m senior debt and €50m mezz will be written off. Electrolux and DeLonghi were reported as under-bidders. Senior lenders recover 38cents.

## Recent restructuring case studies: Autodistribution

### Autodistribution, Debt Restructuring & Recapitalisation via Sauvegarde

French independent distributor of car & truck parts, with repair & aftermarket retail. Secondary LBO bought by Investcorp in Mar-06

New money dictated terms & management, 2nd Lien & mezz essentially flushed out, Investcorp only retained an interest as invested anew

FYE 31-Dec

€ Million	Est. FY05	Est. FY06	Est. FY07	Pre Restruct. FY08	Post Restr. FY08	Post Restr. Equity %	Comment
Revenue	1,300	1,200	1,055	1,100	1,100		
EBITDA		90		57	57		
Undrawn Rev. Senior Debt							
Drawn Senior Debt		368		438	140	10.0%	70% written off for equity
Second-Lien		54		39	0	5.0%	flushed out for c5% of equity
Third-Lien Mezzanine		108		123	0	5.0%	flushed out for c5% of equity
Vendor Bonds				?	0	1.5%	
Total Available Debt		530		600	140	21.5%	
Investcorp Equity Funding		164	(100)		24	16.0%	Investcorp and Towerbrook cash equity
Management							injected on a ratchet, terms unknown. Further
Towerbrook New Equity Funding					84	62.5%	€50m available for acquisitions
Estimated EV		694			248	100.0%	
Debt Lev. through Senior		4.1x		7.7x	2.5x		
Debt Lev. through 2nd Lien		4.7x		8.3x			
Debt Lev. through Mezz		5.9x		10.5x			
Implied EV Multiple		7.7x			4.9x		

1. Jan-07: sold its industrial supplies business, acq. French truck parts distributor, Investcorp took an est. €100m dividend
2. Jul-07: acquired AD Polska, polish car parts distributor
3. Aug-08: covenant breach was waived on a repeated basis, new money need identified
4. Dec-08: Investcorp's suggested super-senior rejected by lenders
5. Feb-09: Towerbrook's €108m injection plan presented to lenders, enters Sauvegarde procedure
6. Apr-09: French courts approved the Sauvegarde restructuring to effect a 66 2/3 majority cram-down on all creditors

## Recent restructuring case studies: Monier

**Monier**

Manufactures and markets concrete and clay roofing tiles, roofing components and chimney systems - acquired by PAI Partners in a Mar-07 LBO

€ Million	PAI LBO		Dec-07	Dec-08	Pre	Post	Post	Comment
	Dec-06	& Recap. Mar-07			Restr. Jun-09	Restr. Jun-09	Restr. Equity %	
Adjusted EBITDA	268.0	268.0	264.0	190.0	135.0	135.0		16 Jun 2009 KPMG due diligence report suggests 2009 EBITDA in €105 - 135m range
EBITDA Margin (%)	16.5%			12.3%				
Cash						0.0		
New "Super" Senior 3 year						45.0		E+700bps and PIK 500bps
New "Super" Senior 15 year						105.0		E+700bps and PIK 500bps (Increasing to E+700 cash and 900bps PIK after 18 months)
€125m Senior Revolving		0.0			125.0	0.0		
Rolled over Senior						650.0	92.0%	Under new proposal expected to be paying below market margins E + 25bps
New €25M factoring facility						0.0		Uncommitted - pricing TBD
Senior Debt Term A		200.0	200.0	100.0	70.0	0.0		
Senior Debt Term B		660.0	660.0	660.0	660.0	0.0		
Senior Debt Term C		660.0	660.0	660.0	660.0	0.0		
Second Lien		325.0	325.0	325.0	325.0	0.0	5.0%	
New Lender PIK						300.0		Lenders have proposed €300m PIK
Net Debt		1,845.0	1,845.0	1,745.0	1,840.0	1,100.0		
Loan Notes		305.0	305.0	305.0	305.0	0.0		
PAI Partners		162.5				0.0		
Management							3.0%	Estimate - management incentivisation not yet proposed
LaFarge		87.5				0.0		
Estimated EV		2,400.0				1,100.0		
Debt Lev. through Senior		5.7x	5.8x	7.5x	11.2x	4.8x		
Debt Lev. through Second Lien		6.9x	7.0x	9.2x	13.6x	5.9x		
Debt Lev. through PIK		6.9x	7.0x	9.2x	13.6x	8.1x		
Debt Lev. through Loan Notes		8.0x	8.1x	10.8x	15.9x	8.1x		
Implied EV Multiple		9.0x				8.1x	100%	

Sources: Company information, news sources, S&amp;P LCD, Debtwire and market discussions

## Recent restructuring case studies: Monier cont'd

### Monier - notes

1. PAI Partners acquired LaFarge roofing (later rebranded Monier in Nov-07) in Mar-2007 for an EV of €2.4billion. PAI took 65% of the equity with LaFarge taking the remaining 35% stake
2. Monier financial performance began deteriorating in Nov, Dec 2007
3. Original covenant (Total leverage/EBITDA) set at 8.1x at Dec-07, 8.3x at Mar-08, 8.3x at Jun-08, 7.9x at Sep-08, 7.4x at Sep-08
4. At Dec FYE 2008 total leverage/EBITDA stood at 9.47x breaching covenants
5. 30 April 2009 PAI presented first proposal to Lenders. Retention of €600m of debt from €2.145Bn. €50M of new money provided by 8% PIK of which €125M would be provided by PAI in exchange for 73% of the equity. Senior Lenders 22% equity stake, Management 4%.
6. 27 May 2009: Reports that all lenders working together despite difference of opinion in how the restructuring should look. Apollo, Towerbrook and York in favour of a steep debt writedown, other par lenders in favour of as much debt as possible
7. June 4, 2009: PAI's second proposal was for senior debt to be written down to €585m (38cent recovery). To meet the new money requirement PAI would inject €100m of €135m PIK at 8%. The lenders would be offered an additional 30% equity to provide the remaining €35m PIK. An additional €300m HoldCo PIK mechanism is also proposed with a ratchet mechanism linked to company performance (expectation that this is worth €160m based on current 09/10 EBITDA forecasts). First Lien Lenders are offered a 52% equity stake (subject to co-investment of €35m) or would receive 25% with no PIK participation. Second-lien would take a total write-off in return for a 3% equity stake. PAI partners would retain 41% equity and
8. Lenders rejected Sponsor proposal
9. 10 Jun 2009: Lenders proposal sees a reduction in current cash-pay debt to €700m paying below market margins, a new €150m Super Senior tranche and potentially a €50m Factoring facility. In addition the Lenders have proposed a €300m PIK however, current valuation does not support any value in a PIK instrument. PAI would have zero recovery. Part of the lenders
10. 16 Jun 2009 Apollo, Towerbrook and York Capital have proposed changes to the Lenders led proposal include reduction in the senior cash pay to €650m, Increase in the facility baskets include €25m asset sale provision and €25m factoring. In addition the PIK will be converted to equity on an IPO. The proposed implementation has been simplified to accommodate enforcement via a sale of shares at the Luxembourg holdco level. The UK scheme of arrangement could take place at a later date to squeeze out non-consenting lenders. Apollo, Towerbrook and York Capital group will have effective control. Apollo holds 12% debt and anticipated 15% equity stake post closing. New PAI proposal is also on the table increasing
11. 16 Jun 2009 Management is assessing the lender led, PAI and second lien proposals - will back proposal that is capable of addressing the co's restructuring needs, capable of being

Sources: Company announcements, press and market feedback. Numbers in red italics represent A&Co estimates

## Recent restructuring case studies: IMO Carwash

## IMO Carwash

Europe's largest chain of car-wash sites bought by Carlyle in Mar-06

FYE 30-Dec € Million	Following Jun-08 Waiver		9 months FY06	Pro- forma FY06	FY07	LTM 1H08	FY08	Declined Sponsor Suggestion		Senior Suggestion		Mezz Suggestion	
	Spread	PIK						Jun-09	Equity %	Jun-09	Equity %	Jun-09	Equity %
Revenue			71.4		101.3	109.5							
EBITDA			26.0	40.0	37.1	39.7	34.0	34.0		34.0		34.0	
Cash			(17.3)	(10.0)	(14.4)		(10.0)	(26.0)		(26.0)		(26.0)	
Undrawn Rev. Senior Debt													
Senior Sec. Capex	3.000%		16.2		17.1		18.0	9.0					
Senior Sec. Tranche A	2.875%		118.1	120.0	124.9		126.0	63.0					
Senior Sec. Tranche B	3.375%		118.1	120.0	124.9		126.0	63.0					
New Senior	7.250%									140.0		140.0	
Net Senior Debt			235.2	230.0	252.4	0.0	260.0	109.0	46%	114.0	78%	114.0	76%
New Junior	0.500%									45.0	25%	45.0	24%
Subordinated Mezzanine	8.250%	4.750%	86.1	85.0	93.1	95.3	97.6	0.0	3%		3%		5%
Carlyle Deeply Sub £25m PIK		1.550%			16.5		20.0	0.0					
Total Available Debt			321.2	315.0	362.0	355.7	377.6	109.0	49%	159.0	100%	159.0	100%
Carlyle Equity Funding			167.0	167.0	167.0								
New Equity Funding								25.0	51%				
Estimated Enterprise Value			488.2	482.0	529.0			134.0	100%	159.0	100%	159.0	
Net Debt Lev. through Senior				5.8x	6.8x	0.0x	7.6x	3.2x		3.4x		3.4x	
Net Debt Lev. through Mezz				11.5x	13.6x	9.0x	11.1x			4.7x		4.7x	
Entry Enterprise Value Multiple				12.1x	14.2x			3.9x		4.7x		4.7x	

1. Jun-08: Carlyle injected £25m PIK loan to win covenant waivers
2. Feb-09: reported that breached 4Q08 leverage & cover covenants
3. Feb-09: Carlyle proposed restructuring that would give C 51% for an additional £25m injection rejected by lenders
4. Apr-09: lender steering committee that controls c50% of debt suggested a 40% haircut & new senior & junior debt. Mezz to be flushed for little equity via 75% scheme of arrangement.
5. Apr-09: Rothschilds reported to be looking for a buyer for group. Together with PWC indicating £270m valuation according to LCD.
6. Jun-09: LCD reports mezzanine lenders wanting improved terms based on their own valuation advice above £350m.

Issue will be if court accepts they are the fulcrum security and as such a separate class of credit and thus eligible to vote on scheme of arrangement.

Sources: Company announcements, press and market feedback. Numbers in red italics represent A&Co estimates

# Augusta & Co contacts

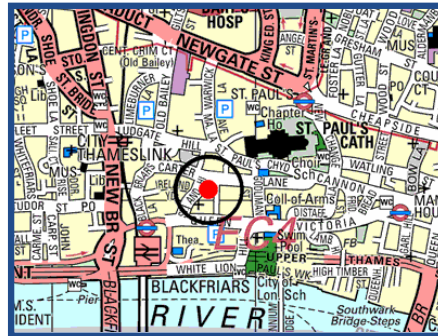


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