High Yield in France: The Next Wave

Wednesday, 6 December, 2006
Latham & Watkins
53, quai d'Orsay
75007 Paris
Gaining the Edge: Why Do Entrepreneurial French Companies Choose High Yield?

Pierre Casado, SAUR
Tanneguy de Carné, Société Générale
Tim Hall, Calyon
Gerhard Noack, Europcar International
Arnaud Tresca, BNP Paribas
Bryant Edwards, Latham & Watkins (moderator)
What Are High Yield Bonds?

- Non-investment grade: corporate bonds rated (or implied) Ba1/BB+ or below
- No amortization: mostly 7 or 10 year “bullet” maturities
- High yield: to compensate for the higher risk, they carry a higher interest rate
- Often subordinated to senior bank debt: contractually, structurally, second lien
Typical Payment Terms of High Yield Bonds

- **Interest Rate**: Usually fixed coupon, but many FRNs
- **Bullet Maturity**: No mandatory redemption prior to maturity
- **Non-Call**: Generally 7-year maturity with a 4-year no-call period or 10 year maturity with a 5-year no call period
- **Equity Claw**: Issuer may redeem up to 35% of bonds with the proceeds of certain equity offerings
- **Change of Control**: Issuer must offer to purchase bonds at 101% plus accrued interest upon a Change of Control
- **Asset Sales**: Issuer must offer to purchase bonds at 100% plus accrued interest with the proceeds of certain asset sales that are not used to retire debt or reinvest in the business
LBO HY issuance has overtaken Corporate issuance in Europe

Source: Société Générale
Corporate HY Lags the US HY Market, Where Corporate Market Share Approaches 80%

Source: Lehman Brothers
The Good News—2006 Has Already Set A Record for European HY Issuance

European High Yield Issuance

- 2001: €6.7bn
- 2002: €4.4bn
- 2003: €13.7bn
- 2004: €22.4bn
- 2005: €17.2bn
- YTD 2006: €31.7bn

Source: Société Générale
But European HY Issuance is Still a Fraction of US HY Issuance

High Yield Bond Issuances by US and European Companies

Source: Société Générale
French HY issuance 1997 – YtD 2006
Corporate vs LBO split

Source: Société Générale
French HY issuance 1997 – YtD 2006 % of Total EU* issuance volume

Source: Société Générale

*Western EU issuers and selected Central European HY style issuers and PIKs
French Corporate HY issuance 1997 – YtD 2006
% of Total EU* Corporate issues

% French Corp tranches vs Total EU* Corp tranches
French Corp tranches / Total EU* Corporate tranches

Source: Société Générale
*Western EU issuers and selected Central European HY style issuers and PIKs

LATHAM & WATKINS
Bombardier Strikes the European High Yield Market for €1.6 Billion of Euro-Denominated Bonds (Nov 2006)

- Canadian-based manufacturer of aircraft and rail transportation equipment
- €800 million of Senior Floating Rate Notes priced at EURIBOR plus 325 basis points
- €800 million of Senior Fixed Rate Notes priced with a 7 ¼% Coupon
Rhodia Issued €1.1 Billion of FRNs in Oct 2006

- €1.1 Billion of Senior Floating Rate Notes
- Priced at EURIBOR + 275 basis points
- Call Protection: NC1; 102% in 2\textsuperscript{nd} Year; 101% in 3\textsuperscript{rd} Year; Par Thereafter
SNF Floerger Refinanced Senior Credit Facility with 7 Year High Yield Notes (July 2006)

- SNF Floerger, a French chemicals manufacturer, issued €140 million of 7 year senior notes, in order to refinance senior credit facility with long-term bond debt

- Senior Notes priced at 8.25%
Europcar priced €550m HYB to support the LBO of the company by Eurazeo (May 2006)

- Europcar priced €550m HYB in May 2006 split between:
  - €300m QE+350bps sr. sub. sec. notes 7 years non-callable for 1 year rated B1/B+
  - €250m 8.125% sr. sub. notes 8 years non-callable for 4 years rated B2/B

- Proceeds of the notes were used to fund the LBO of the company by Eurazeo (alongside €2.6bn Senior Asset Financing Loan and €250m Senior RCF)
Saur raised €265m in April 2005 to finalize the funding of its LBO

- As part of its acquisition, Saur issued €265m of 8 3/8% 10YNC4 Senior Notes, subordinated to €465m of senior secured funded bank debt
- Senior Notes allow distribution of a portion of designated sale proceeds to shareholders
- Incurrence covenants give flexibility to management to grow the business
Remy Cointreau Sets Record for Lowest Fixed Rate Coupon (Jan 2005)

- Remy Cointreau issued €200 million of 5.20% Senior Notes due 2012 in January 2005 - a record for the lowest fixed rate high yield bond issued in Europe at the time

- Proceeds were used to repay a portion of a syndicated senior credit facility and for general corporate purposes

- Bond was French-law governed and had light restrictive covenants
Vivendi Raised over €2 Billion in the HY Market During its 2003 Corporate Crisis

- $935 million of 9.25% Senior Subordinated Notes due 2010 in April 2003
- €325 million of 9.50% Senior Notes due 2010 in April 2003
- $975 million 6.25% Senior Notes due 2008 in July 2003
- €500 million of 6.25% Senior Notes due 2008 in July 2003
Trends Favour High Yield for Corporate Financings

- Medium-term money form diversified investor base
  - 10 year, non-call 5
  - 7 year, non-call 4
- Multiple use of proceeds
  - Growth
  - Acquisition
  - Corporate restructuring
  - Refinancing
- Modest covenants
  - Incurrence-based covenants
- Comfortable with subordination to banks
- No economic or voting dilution to ownership
Compared to Bank Debt, High Yield Debt is Long-Term Maintenance-Free Capital

<table>
<thead>
<tr>
<th></th>
<th>Bank Debt</th>
<th>High Yield Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restrictive Covenants</td>
<td>Maintenance: Default occurs if financial ratios deteriorate</td>
<td>Incurrence: Default only if company undertakes a prohibited transaction</td>
</tr>
<tr>
<td>Maturity</td>
<td>3 to 5 Years: Company must always plan ahead for refinancing</td>
<td>7 to 10 years: Company can focus on running the business</td>
</tr>
<tr>
<td>Maintenance</td>
<td>High: Company must provide frequent reports and seek formal waivers for material transactions</td>
<td>Low: Covenants designed to allow Company to grow and make acquisitions and operate without waivers</td>
</tr>
</tbody>
</table>
Basic High Yield Covenants

- Limitation on indebtedness
- Limitation on “restricted payments”
- Limitation on liens
- Limitation on layering of debt
- Dividend restriction in subsidiaries
- Merger, consolidation and sale of assets
- Transactions with affiliates
- Sale and leaseback transactions
- Consents
- Reports
Emerging Issues in the French High Yield Market

Blaise Ganguin, Standard & Poor's
Tim Hall, Calyon
Adam Harnetty, Société Générale
Laurent Kenigswald, BAREP Asset Management
Alain Krief, BNP Paribas Asset Management
John Watson, Latham & Watkins (moderator)
European High Yield and European Mezzanine Markets Are Converging

**HY Bonds**
- 8%-11%
- Non-Call
- Structural Subordination

**Unwarranted Mezzanine**
- 12%-15%
- Callable
- Contractual Subordination

**Crossover Space**

**Investors**
- Dedicated HY Funds
- Insurance Companies
- Pension Funds
- CDO’s
- Banks

**Traditional Mezzanine**
- 14%-17%
- Callable
- Contractual Subordination
- Warrants

**Investors**
- Banks
- Mezzanine Funds
Increasingly, a Single European Leveraged Capital Market

- Senior secured leveraged loans (floating)
  - B, C institutional tranches
- Second-lien leveraged loans (floating)
  - US hedge fund import
- Second-lien notes (fixed)
- Second-lien mezzanine (floating)
  - Warranted (club style)
  - Warrant-less
- Payment-in-Kind “PIK” notes
- Sponsor dividends
Emergence of European Funds With Ability to Buy 2nd Lien, Mezz and PIK

% of subordinated debt in loan structure

- Sr Only
- Sr + Mezz
- Sr + 2nd Lien
- Sr + 2nd Lien + Mezz

Year: 2003, 2004, 2005, 1H06
Hedge Funds Have Grown Dramatically - They Now Manage $1.1 Trillion in Assets

Total Assets Managed By All Hedge Funds

Source: Hedge Fund Research Industry Report
Globally, Leveraged Loans Have Skyrocketed Compared to HY

Global Leveraged Loans vs. High Yield

Source: LCD, Société Générale
The Same Has Happened in Europe

**European Leveraged Loans vs. High Yield**

- **High Yield**
- **Leveraged Loans**

Source: LCD, Société Générale
Institutional Lending in European LBOs Not Yet At US Levels

Bank Loan Structure in LBOs

<table>
<thead>
<tr>
<th></th>
<th>TL-A</th>
<th>TL-B</th>
<th>TL-C</th>
<th>2nd Lien</th>
<th>Revolver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>31</td>
<td>23</td>
<td>20</td>
<td>3</td>
<td>23</td>
</tr>
<tr>
<td>US</td>
<td>4</td>
<td>63</td>
<td>0</td>
<td>10</td>
<td>23</td>
</tr>
</tbody>
</table>

TL-A: 0% - 20%
TL-B: 20% - 40%
TL-C: 40% - 60%
2nd Lien: 60% - 80%
Revolver: 80% - 100%
The European Second Lien Market
European Leveraged 2nd Lien Market – Overview

- European 2nd lien tranches have developed from being ‘stretched senior’ tools used in recapitalisations to being a regular feature of new LBOs

- 2nd Lien deals with no subordinated debt beneath still proving ‘sticky’ to syndicate and represent only 15% of total Q206 volumes

European LBOs Bank Loan Structure

Source: Société Générale and S&P LCD
European Second Lien Issuance and Pricing

**Volume**

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume in billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>1.5</td>
</tr>
<tr>
<td>2005</td>
<td>5.4</td>
</tr>
<tr>
<td>2006YTD</td>
<td>5.7</td>
</tr>
</tbody>
</table>

**Average Spreads**

<table>
<thead>
<tr>
<th>Year</th>
<th>Spread in bps</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>480.7</td>
</tr>
<tr>
<td>2005</td>
<td>520.7</td>
</tr>
<tr>
<td>2006</td>
<td>520.6</td>
</tr>
</tbody>
</table>

Source: Merrill Lynch
Different Flavors of European Second Lien Debt

- **First Loss** – Most aggressive pricing; sold to bank/loan fund investors; may be tranche D in senior loan facility (+475 bps)

- **Traditional Second Lien** – Sandwiched between first lien senior and high yield; relatively small percentage of the capital structure (+550 bps)

- **Replacement Mezzanine** – Used where it is the only debt between senior and the equity; a variation of traditional European mezz (+650 bps)
Second Lien in Europe – Cheap Mezzanine?

- European Second Lien shares many characteristics with European Mezzanine:
  - Second ranking security
  - Same borrower entity as the first lien debt (unlike European HY)
  - Sometimes – but not always – contractual subordination to first lien debt
  - Payment blockages and enforcement standstills
  - Full or partial turnover provisions
The European PIK Market
European PIK Issuance

- 2004: 0.575 billion
- 2005: 3.321 billion
- 2006 YTD: 4.48 billion

Source: Société Générale
Holdco Notes are Structurally Subordinated With No Credit Support

Holdco Note Issuer

Holdco Notes Are Not Guaranteed and Are Not Secured

HY Issuer

Bank Borrower

Operating Company

Operating Company

Operating Company

Operating Company

Operating Company

Operating Company

Operating Company
“Cross-Over” Bonds in Europe
Pernod Ricard Issued €850 Million in “Cross-Over” Bonds

- On Monday, Pernod Ricard issued:
  - €550 million of 4.275% Notes at Issue Price of 99.526%
  - €300 million of FRNs (with a Margin of .50% over EURIBOR) at Issue Price of 99.876%
- Rated BB+ by Standard & Poor’s and Baa3 by Moody’s
- Investment-grade covenants
- French law bond documentation
## Cross-Over Bonds vs. High Yield Bonds

### Cross-Over Bonds
- Corporate bond issuers typically with high name recognition and actual or implied ratings of Ba3/BB– or above
- Usually rank pari passu with bank debt
- Normally not callable
- Covenant-lite: Covenants are “high-yield minus” or “Eurobond plus”

### High Yield Bonds
- Non-investment grade, corporate bonds rated Ba1/BB+ or below
- Usually subordinated to senior bank debt: contractually, structurally, second lien
- Limitations on optional redemption
  - Non-call period (7yr/NC4 or 10yr/NC5)
  - Equity claw (35% or 40%)
  - Make whole
  - Tax call
- Full high yield incurrence covenant package
Selected Cross-Over Bond Transactions

2006
- Pernod Ricard
- m-real
- FIAT

2005
- TUI Aktiengesellschaft
- ThyssenKrupp

2004
- ThyssenKrupp
- metso
- TUI Aktiengesellschaft

2003
- ERICSSON TAKING YOU FORWARD

2002
- ThyssenKrupp
- ABB
High Yield in France - The Next Wave

Basel II, securitizations and recovery ratings

Blaise Ganguin, Chief Credit Officer, Europe

December 6th 2006
LBO credit: Institutional investors overtake banks

European banks
Institutional Investors

European banks
Institutional Investors

Permission to reprint or distribute any content from this presentation requires the prior written approval of Standard & Poor's.
Institutionals: Hedge Funds are coming!

All numbers as of Q3 2006 - Excludes U.S. Dollar Tranches Syndicated in the US
Basel II: No Longer One-Size-Fits-All
AIRB: LGD Matters!!!
Recoveries are Part of Credit Risk

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank debt</td>
<td>85.6</td>
<td>77.2</td>
<td>69.6</td>
<td>77.1</td>
</tr>
<tr>
<td>Senior secured notes</td>
<td>72.6</td>
<td>63.3</td>
<td>54.3</td>
<td>63.3</td>
</tr>
<tr>
<td>Senior unsecured notes</td>
<td>61.9</td>
<td>44.6</td>
<td>17.5</td>
<td>42.7</td>
</tr>
<tr>
<td>Senior subordinated notes</td>
<td>42.6</td>
<td>32.3</td>
<td>12.2</td>
<td>31.2</td>
</tr>
<tr>
<td>Subordinated notes</td>
<td>21.0</td>
<td>35.8</td>
<td>7.7</td>
<td>30.1</td>
</tr>
</tbody>
</table>

Source: Standard & Poor’s U.S. LossStats™
# Recovery Ratings: a Separate Scale

## Proposed “Enhanced Notching”/Recovery Scale

<table>
<thead>
<tr>
<th>Recovery Rating</th>
<th>Recovery Expectation</th>
<th>Expected Recovery</th>
<th>Notching from ICR: Speculative Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1+</td>
<td>Highest expectation, Full recovery of principal</td>
<td>100%</td>
<td>+3</td>
</tr>
<tr>
<td>1</td>
<td>Strong expectation, Full recovery of principal</td>
<td>100%</td>
<td>+2</td>
</tr>
<tr>
<td>2</td>
<td>Substantial recovery of principal</td>
<td>80-100%</td>
<td>+1</td>
</tr>
<tr>
<td>3</td>
<td>Meaningful recovery of principal</td>
<td>50-80%</td>
<td>0</td>
</tr>
<tr>
<td>4</td>
<td>Average recovery of principal</td>
<td>30-50%</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Modest recovery of principal</td>
<td>15-30%</td>
<td>-1</td>
</tr>
<tr>
<td>6</td>
<td>Negligible recovery of principal</td>
<td>0-15%</td>
<td>-2</td>
</tr>
</tbody>
</table>
Recovery Ratings are pointing in the right direction...

100% / RR: 1+ or 1 / 2 or 3 notches

50% - 80% / RR: 3 / 0 notch

30%-50% / RR: 4 / 0 notch

15%-30% / RR: 5 / - 1 notch

0%-30% / RR: 6 / - 2 notches

Damovo Issuer Rating following default: D
Recovery Rating: 4

Standard & Poor's
The Big Leveraged Buyouts: How Do Private Equity Firms Evaluate the High Yield Alternative

Youssef Khlat, BNP Paribas
Gérald Lucaussy, Tisbury Capital Management
Gerhard Noack, Europcar International
Philippe Renauld, Eurazeo
Paul Smith, Société Générale
Thomas Forschbach, Latham & Watkins (moderator)
Private equity fundraising in 2006 is on track to surpass the full year 2005 total.

A number of US and European private equity firms have raised or are in the process of closing new “mega-funds” (Permira, Providence, KKR, Blackstone, Carlyle, TPG, etc).

**Funds Raised by European Private Equity (in € billions)**

<table>
<thead>
<tr>
<th>Year</th>
<th>€ Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>52</td>
</tr>
<tr>
<td>2001</td>
<td>43</td>
</tr>
<tr>
<td>2002</td>
<td>33</td>
</tr>
<tr>
<td>2003</td>
<td>26</td>
</tr>
<tr>
<td>2004</td>
<td>23</td>
</tr>
<tr>
<td>2005</td>
<td>77</td>
</tr>
<tr>
<td>1Q 2006</td>
<td>66</td>
</tr>
</tbody>
</table>

Source: European Private Equity Association
2005 Saw Primary European LBO Volume More Than Double the Previous Year, And 2006 is also Extremely Strong

Total European LBO Volume: 1999-3Q 2006 (in € billions)

NB: Reflects total sources of funding of initial or secondary buyout from private equity firms (excludes recaps, refinancings, etc)

Source: LCD Comps, BNP Paribas
For the first time in 2005 and again in 2006, European Buyouts exceed US buyouts

European Buyouts versus US Buyouts in 2005 and 3Q 2006 (by aggregate deal size in US$)

Source: Thomson Research, LCD Comps, BNP Paribas
High Yield LBO Issuance has Increased Dramatically In the US and in Europe


Source: BNP Paribas
Overall, markets witnessed strong growth in High Yield and Mezzanine issuance in 2006.


Source: LCD Comps, BNP Paribas
But Mezzanine Issuance is Growing Faster than High Yield Issuance in Europe

European High Yield and Mezzanine Issuance 2000-3Q 2006 (in number of deals)

Source: LCD Comps, Bloomberg
Average Pricing For European Mezzanine Transactions

- The average spread reached a peak of Euribor + 1,030 bps in 2004, then declined to Euribor + 964 bps in 2005.
- After a very low level at +902 bps in August, the average spread has widened to Euribor + 937 bps by October.

Rolling 3-Month Average Spreads of European Mezzanine (in bps)

Source: LCD Comps
European High Yield Continues to Be a Cheaper Option than Mezzanine

Average Spreads by Rating (in bps)

Source: BNP Paribas
Why Do Some Sponsors Favor Mezzanine over HY for European Buyouts?

- Inflexible call protection (5 year non-call)
- Length of process
- Ongoing disclosure obligations
- Amendment flexibility
- More mezzanine sources
The Average “Hold” for European Private Equity Investments Has Dropped Dramatically

Average Investment Period For Sponsors Exiting European Investments Through Secondary Buyouts (in years)

Source: LCD News, 27 April 2006
Call Protection Issue Has Driven Increase in FRNs

The Growth in Floating Rate European High Yield Bonds (1996-Ytd 2006)

Source: Merrill Lynch
The Leveraged Buyout of Europcar

- On March 15, 2006 Eurazeo agreed to purchase Europcar from Volkswagen AG.

- The Acquisition has a total value of approximately €3.1 billion, consisting of:
  - purchase price for the equity of €1.3 billion; and
  - Europcar’s consolidated debt of €1.8 billion.
Financing the Buyout of Europcar

- The financing of the buyout of Europcar consisted of:
  - a €2.6 billion Senior Asset Financing Loan, which increases to €2.9 billion 18 months after the closing;
  - a €250 million Senior Revolving Credit Facility;
  - €550 million of HY Notes; and
  - a €813 million Equity Contribution by the sponsors
The Europcar Leveraged Finance Structure
The Future of High Yield in France: A Roundtable Discussion

Pierre Casado, SAUR
Tanneguy de Carné, Société Générale
Alain Dib, BNP Paribas
Tim Hall, Calyon
Philippe Renauld, Eurazeo
James Ward, Axa Investment Managers
Etienne Gentil, Latham & Watkins (moderator)
High Yield Bonds Were Introduced into the European HY Market in 1994: Crashed in 2001-02 and Rebounded in 2003-04

New Issue High Yield Bonds by European Issuers: 1993-2006 YtD

Source: Société Générale
US High Yield Bonds Have Generated Positive Returns Since 2003

- In 2003, an index of US Yield bonds returned 28.1%
- To date in 2006, US High Yield Bonds have returned a 10.6%

Annual Total Return: 1997-2006
ML US HY Index
European High Yield Bonds Are In 4th Year of Positive Returns

- In 2003, an index of European High Yield bonds returned an astonishing 30.2%
- To date in 2006, European High Yield Bonds have returned a respectable 10.3%

Annual Total Return: 1998-2006
ML European HY Index
The European High Yield Investor Base Has Become Increasingly Pan-European

UK
- Aberdeen
- Alliance
- AXA UK
- Barclays
- Bluebay
- CS AM
- ECM
- F&C
- Fidelity
- Gartmore
- GSAM
- Henderson
- Invesco
- Insight
- Investec
- Legal & General
- M&G
- Merrill Lynch Inv Mgmt
- Metlife
- Morley
- Morgan Stanley
- New Star
- Oaktree
- Pall Mall
- Perpetual
- Pimco
- Putnam
- Scottish Widows
- Standard Bank
- Standard Life
- Threadneedle

Benelux
- ABN Amro Asset
- ABP
- ING IM
- NIB Capital
- Robeco
- Shell Pension

Germany
- Allianz/PIMCO
- Deka
- DWS
- HSH Nordbank
- Lazard AM
- Union Invest
- WestLB AM

Switzerland
- Bank Julius Baer
- Pictet & Cie
- RMF
- UBS

France
- ADI
- AGF
- Aviva
- AXA
- Baring
- BNPP AM
- BGAM
- CA AM
- Dexia AM
- Equigest
- Fortis Inv
- HR Gestion
- HSBC
- Natexis
- Rothschild
- SG AM

Italy
- Generali
- Gestetife
- Gruppo Monte dei Paschi
- Intesa
- Mediolanum
- Pioneer
- RAS
- San Paolo
- Symphonia

Hedge Funds (UK)
- Alpstar
- Amaranth
- Artesian
- Avenue
- Blue Mountain
- Cairn
- Caxton
- Cheyne
- Citadel
- Cognis Capital
- COGS
- Cyrus
- Davidson Kempner
- DB Principal
- Deephaven
- DE Shaw
- Dillan Reid
- Elgin
- Elliot
- Fore
- GLG
- Goldentree
- HBK
- Ilex
- Marathon
- Millenium
- MKM Longboat
- Moore Capital
- Oakhill
- Polygon
- RAB Capital
- Sandell
- Silverpoint
- UBS Principal
The European HY Market Has Matured Into a Large and Diversified Market

- Large diversified market with multiple sectors
  - LBO
  - Cable & Telecom
  - Fallen Angels
  - Straight corporate
- Diversified investor base
  - Institutional investors
  - Retail funds
  - Investment-grade managers
  - Hedge-funds

HY ML index Market weight by industry
30/11/2006

Source: Société Générale
The European HY Market’s Share of the Global HY Market is increasing since 2001

European HY Issuance as Percentage of Global High Yield Issuance: 1997-2006 YtD

Source: Société Générale
Will HY Lose Out to Mezzanine In European Leveraged Finance?

- Inflexible call protection (5 year non-call)
- Length of process
- Ongoing disclosure obligations
- Familiarity of senior banks
- Amendment flexibility
- More mezzanine sources
How Will EU Integration Affect the Debt Capital Markets?

- Over time, increased EU anti-trust power will erode protective barriers to competition, forcing European companies to:
  - Focus on costs
  - Focus on profitability
  - Focus on access to lowest cost capital
- IFRS for all listed companies
- Effect of Basel II
What next in France ? (i)

Holdco paper issuance?
- In EU HY: rise in Holdco paper issuance since 2002
- In France: only 1 Holdco paper issue in France (€300m Eutelsat PIK loan in 2005)

Source: Société Générale
What next in France? (ii)

Jumbo LBO related HYB?
- In Europe: more and more €1bn+ LBO related HY deals
- In France: largest LBO related HYB is still Rexel (€600m) done in March 2005: When are we going to see the first €1bn+ HY LBO French deal?

Source: Société Générale

# €1bn+ LBO related HY deals in EU

![Graph showing the number of €1bn+ LBO related HY deals in EU from 2002 to 2006 YtD.](graph.png)
What next in France? (iii)

Aggressive FRN structures (short NC period)

- In Europe: rise in FRN paper issuance (excl PIK FRN)
- In France: already more than half of YTD 2006 issuance is under FRN format with Rhodia (€1.1bn), Belvedere (€375m) and Europcar (€300m). This trend should accelerate.

![FRN paper issuance in EU (excl PIK)](chart)

Source: Société Générale
High Yield in France: The Next Wave

Wednesday, 6 December, 2006
Latham & Watkins
53, quai d'Orsay
75007 Paris