



Discussion re:

U.S. LBO Market Perspective / PIPES and Other Non-Control Investments  
and Other Non-Conventional Approaches

for the

2009 CVCA Annual Conference

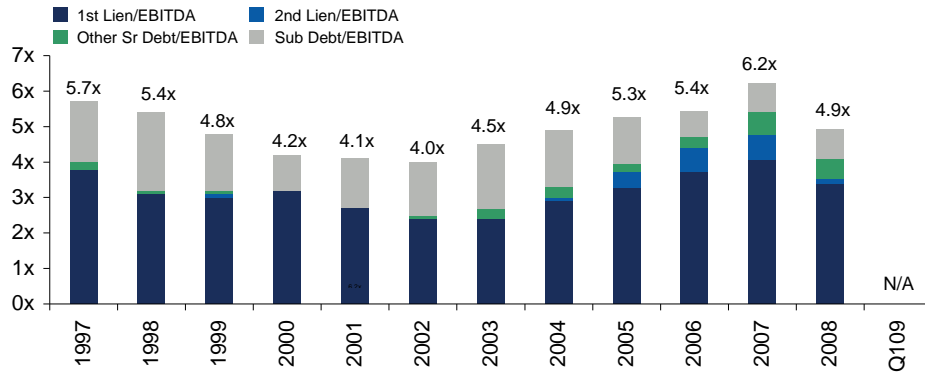
**Dirk Leasure**

Managing Director  
Sponsor Coverage

May 28, 2009

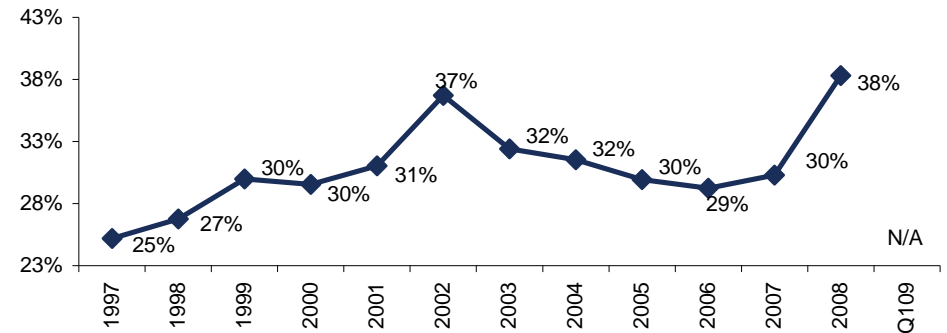
# Sponsors' LBO Activity

## Average Leverage Breakdown of LBOs



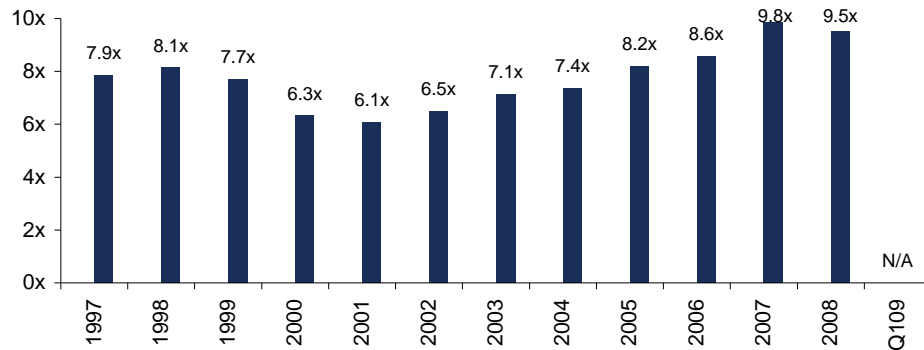
S&P Q1 LBO Review March 2009, pg. 41. Large LBOs (>\$50mm of EBITDA).

## Equity Contribution



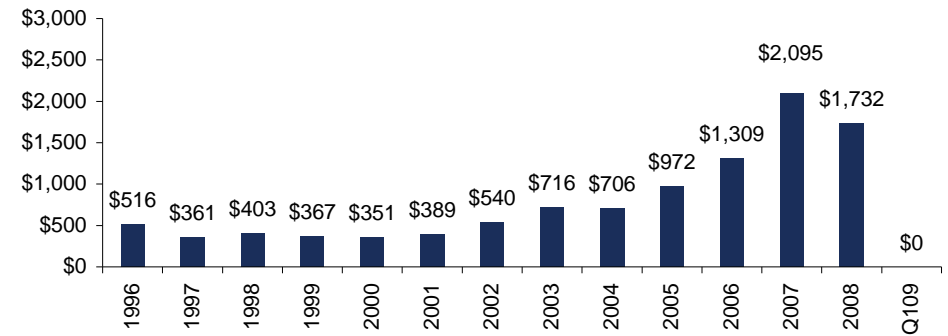
S&P Q1 LBO Review March 2009, pg. 21, Large LBOs (>\$50MM EBITDA)

## Average LBO Purchase Price Multiples



S&P Q1 LBO Review, March 2009, pg. 21, Large LBOs (>\$50MM EBITDA)

## Average LBO Deal Size (\$Millions)

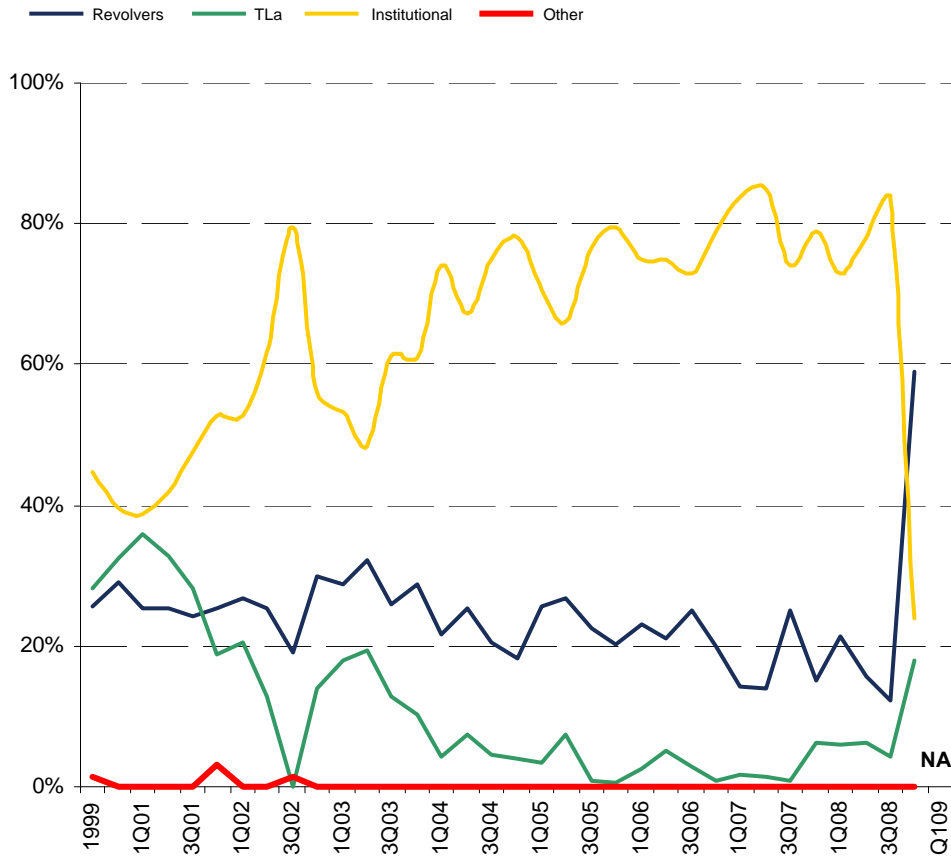


S&P Q1 LBO Review, March 2009, pg. 10

Higher available leverage, combined with higher equity, drove acquisition multiples up

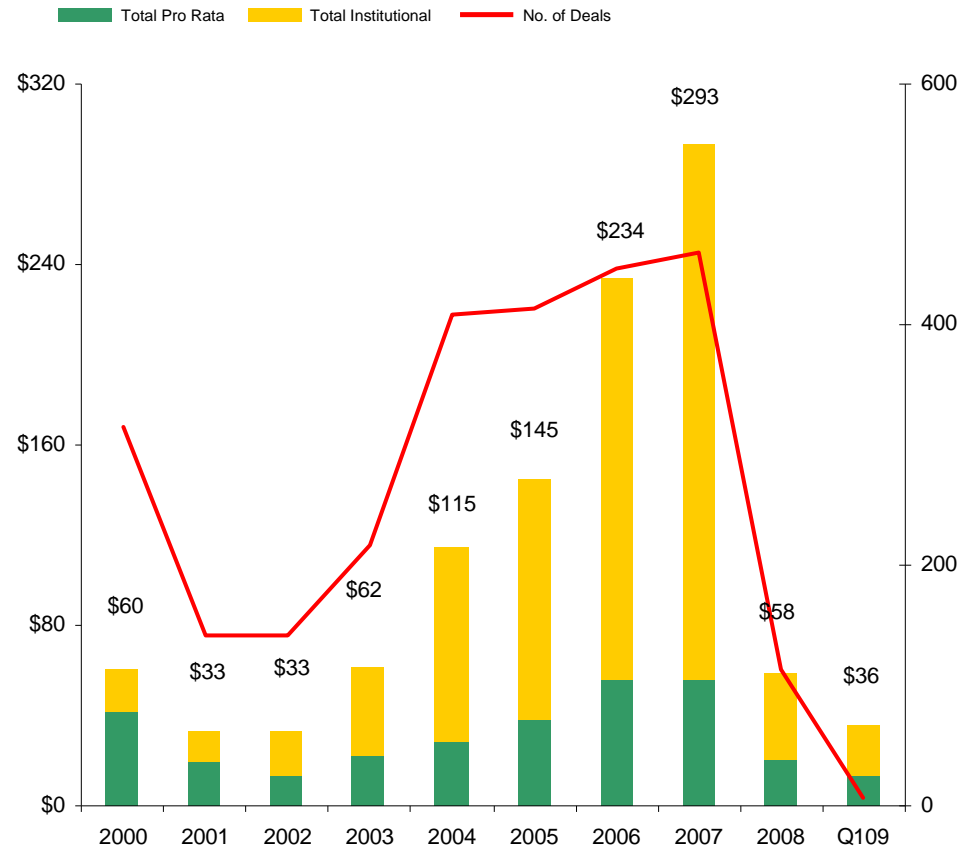
# Source of "L" in LBOs

## LBO Loan Structure



S&P Q1 LBO Review, March 2009, pg. 70

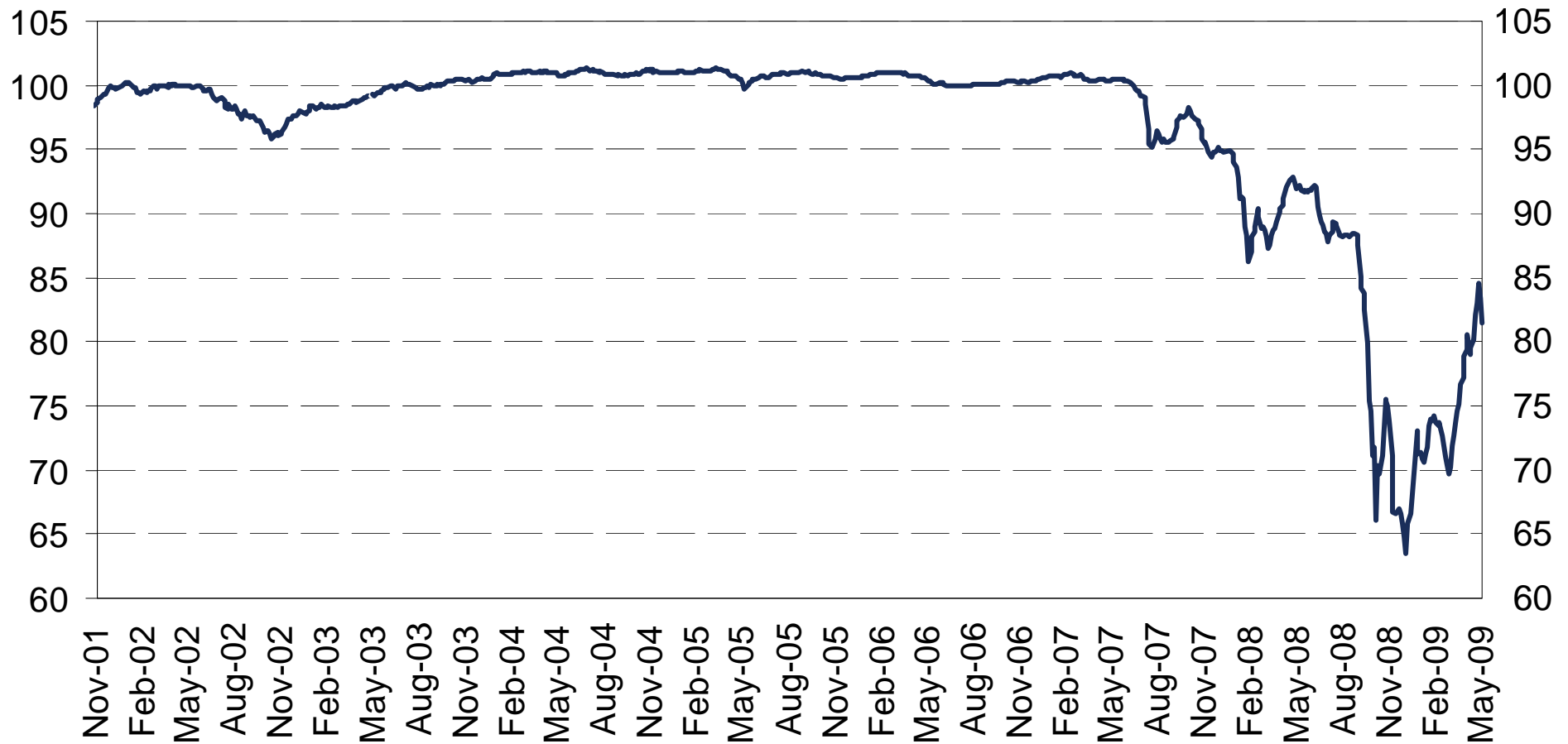
## Total US Sponsored Loan Vol. (Bil.) (New & Refis)



S&P Q1 LBO Review, March 2009, pg. 8

With institutional loan buyers dormant, volume has plummeted and sponsors are looking to banks

# Average Institutional Leveraged Loan Bid

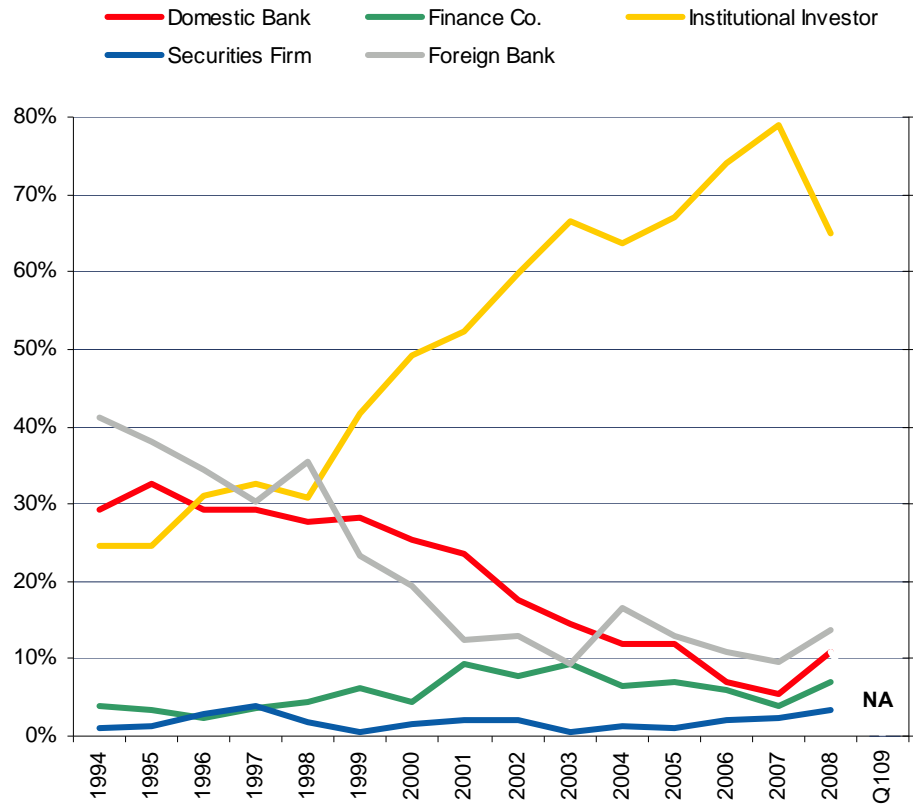


Source: LCD, Selected Large Institutional Flow Loans

After long period of stability, values in loan market tanked, but climbing back now

# Buyers of Leveraged Loans

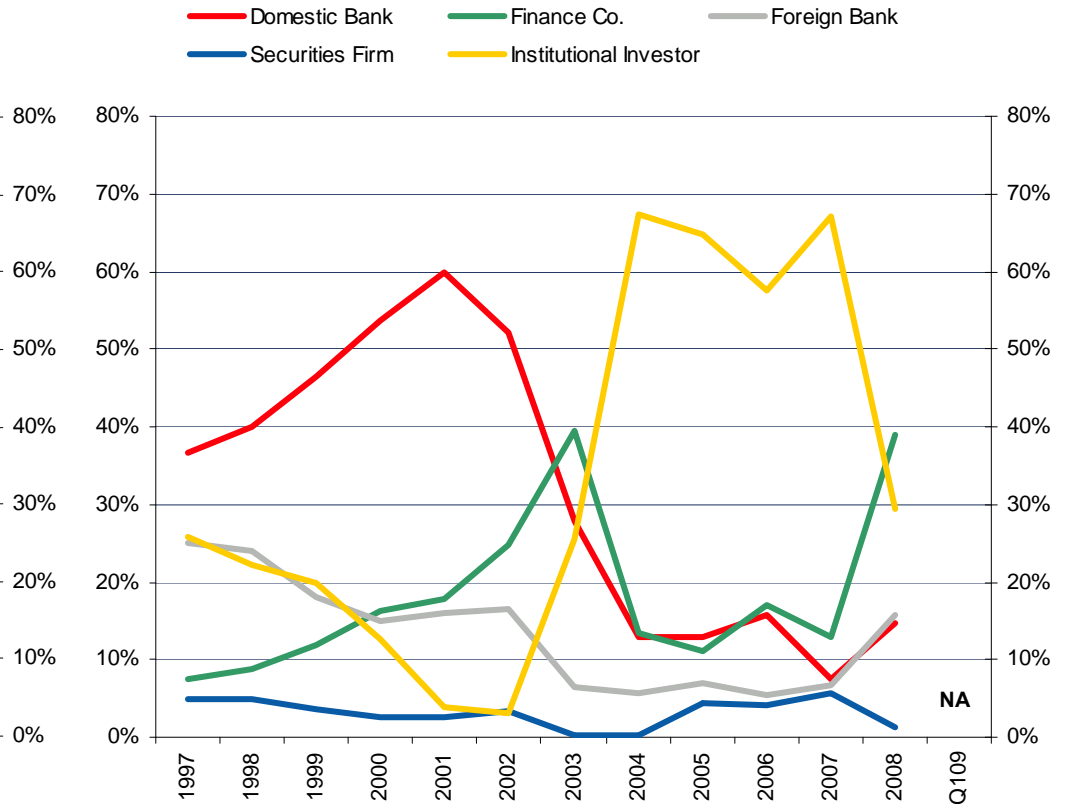
## Market for Highly Lev. Loans by Investor Type



**Banks disintermediated from lending in main market...**

S&P Q1 Leveraged Lending Review, March 2009, Page 131

## Middle Market (Issuers < \$50mm EBITDA) Market for Highly Lev. Loans by Investor Type

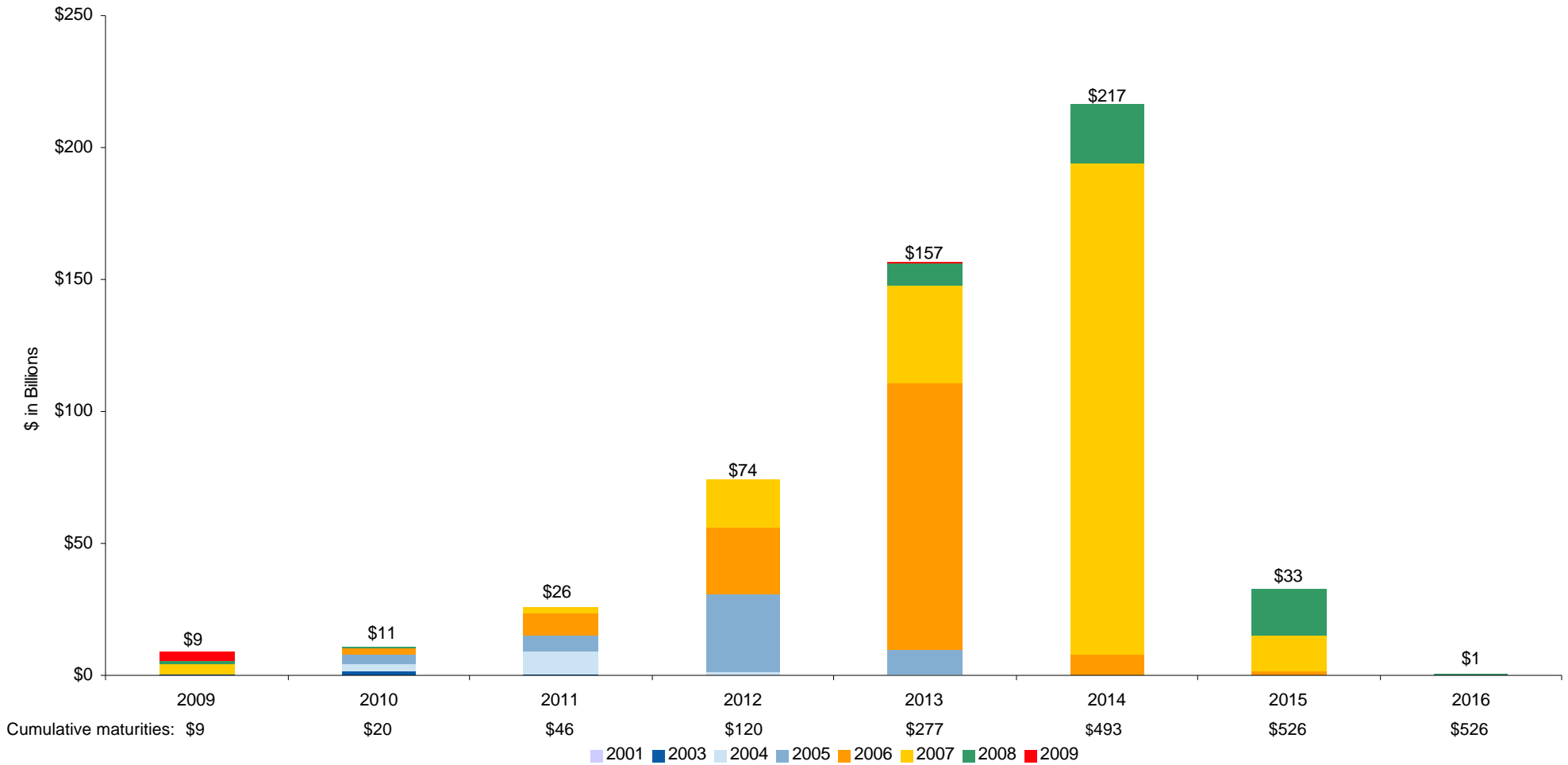


**...And then from middle market.**

S&P Q1 Middle Market Lending Review, March 2009, Page 83

Market had changed structurally to distribution – not “buy and hold” - model

# U.S. Leveraged Loan Maturity by Year of Maturation

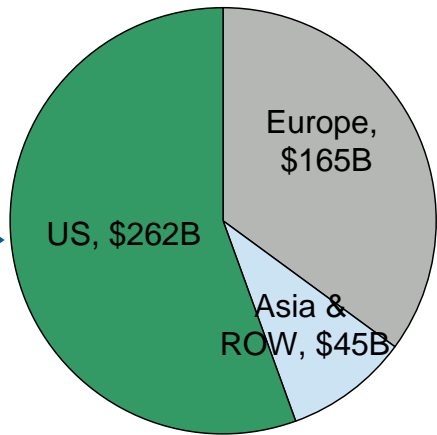
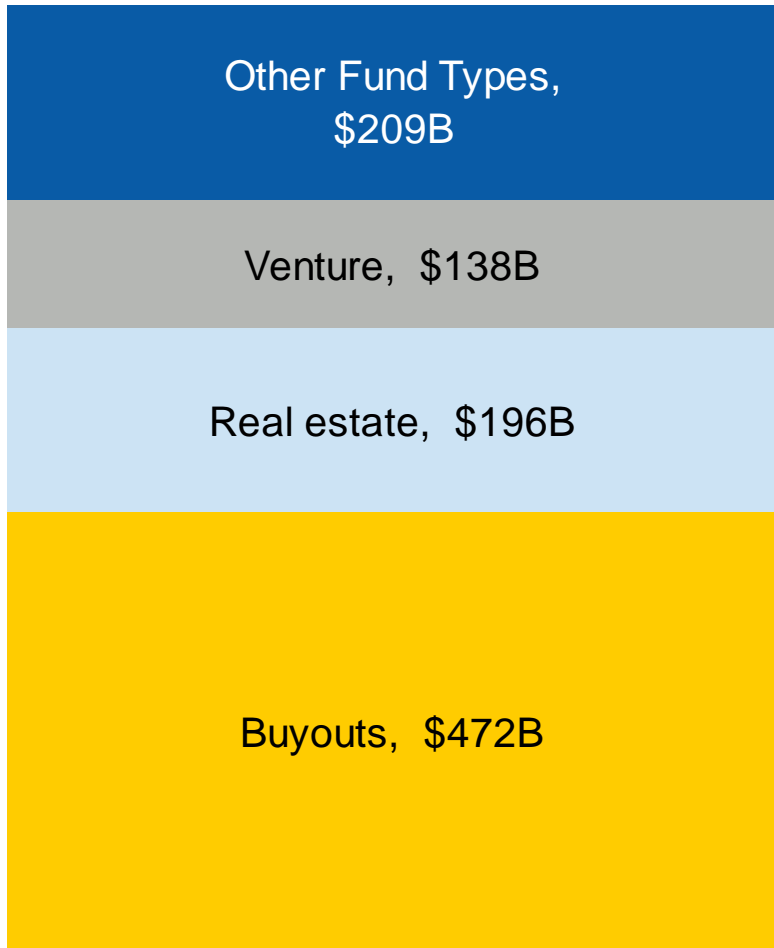


Source: LCD, U.S. Leveraged Loans

Substantial loan maturities pending in 2012 - 2014

# “Dry Powder”

**\$1,015B Global**



**\$472B**

Source: Preqin, As of 12/31/08

Some Sponsors have “dry powder”

# Corporates Need Capital - Sponsors Have Capital

## Corporates



## Sponsors ✓



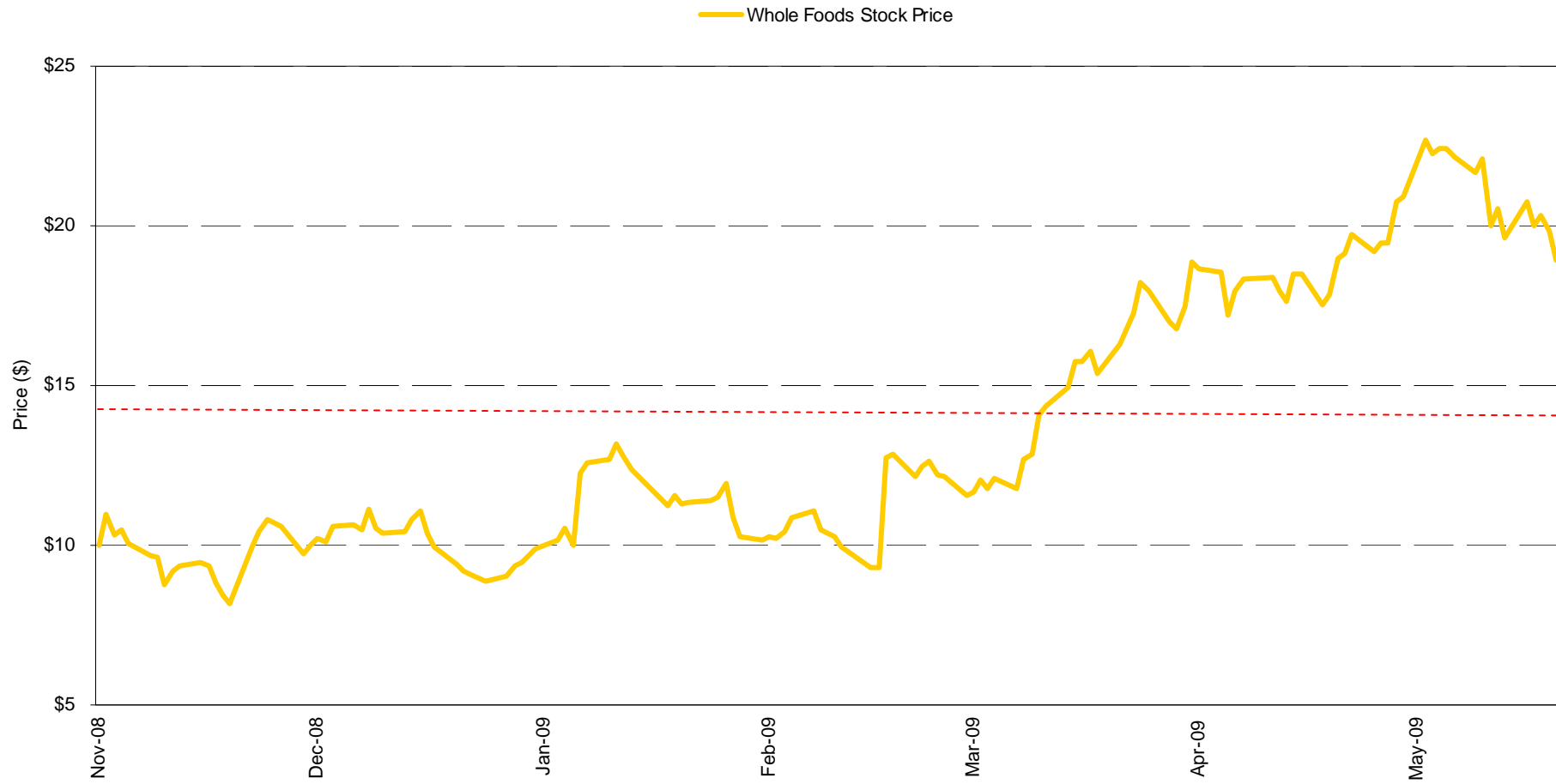
Public Equity Markets – essentially closed ✗

Debt Markets – very constrained ✗

# Leonard Green / Whole Foods PIPE

- **November 5, 2008**
- **\$425MM Convertible Preferred Stock**
- **Convertible at \$14.50/share (32% premium on November 4<sup>th</sup> closing)**
  - **If converted immediately, equates to 17% of stock**
  - **8% dividend (after three years decreases to 6% or 4% based on trading levels)**
  - **Redeemable after five years at a 4% premium (par by year eight)**
- **2 board seats**

# Whole Foods Trading History



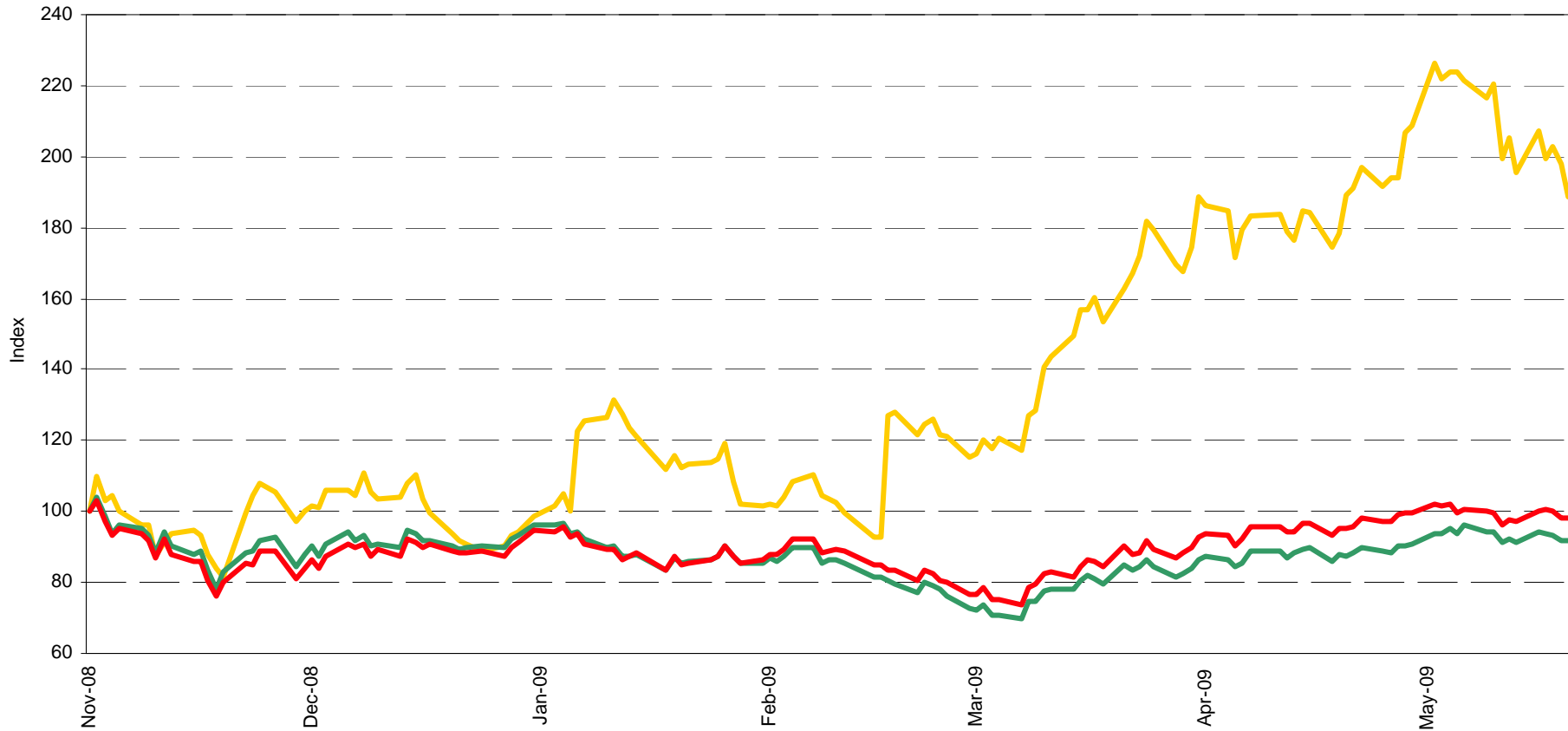
Source: Yahoo Finance

----- \$14.50 conversion price

“Smart money” investment eases public markets’ concerns

# Whole Foods vs. NASDAQ / S&P

— Whole Foods — S&P 500 Index — NASDAQ Composite



Source: Yahoo Finance

Whole Foods has substantially outperformed both the S&P and NASDAQ since the PIPE

## Conclusions

- **Worst of deals are done in the best of times**
- **Best deals are done in the worst of times**
- **Next few years will be a GREAT time to invest**
- **2009-2010 vintage funds should be GREAT investments**

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