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MARKET OBSERVATIONS

Monthly compilation of high-level perspectives on M&A, public equity, private capital, and the capital markets.

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Deal Detector: Companies with Highest Individual Venture Capital/Private Equity Ownership Stakes [3]

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Sam Stovall, Managing Director, U.S. Equity Strategies, Global Markets Intelligence, discusses the view that investors may have PPI: Premature Preoccupation with Inflation.

Credit Trends:

The U.S. Corporate Speculative-Grade Default Rate Is Expected To Rise Modestly To 2.3% By March 2015 [7]

Diane Vazza, Managing Director and Head of Global Fixed Income Research, comments on the U.S. speculative-grade default rate, which was at lowest rate since the financial crisis. The team tracks the corporate default rate and other measures of credit quality, such as bond spreads, issuance, and rating trends, to gauge the health of the U.S. financial system.

Sector Snapshots [19]

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Upcoming Course:

[Principles of Bank Analysis](#)

June 12-13, 2014, New York, NY

This course provides a framework for analyzing financial statements of banks to gain a deeper understanding of capital adequacy, management quality, earnings sustainability and sensitivity to credit, market, and liquidity risk. To maximize learning, there are a number of exercises and group case studies which simulate real-world scenarios. Register today!

RICHARD PETERSON, Director, Global Markets Intelligence

The Hillshire Brands Company [NYSE:HSH] recently entered into a definitive agreement to acquire packaged food company Pinnacle Foods Inc. [NYSE:PF] for \$4.3 billion in cash and stock on May 12, 2014. Under the terms of the agreement, Hillshire Brands will pay \$18 for each Pinnacle common share held and the acquirer will issue 0.5 shares for each Pinnacle share held. The target company Pinnacle Foods was previously acquired by private equity firm The Blackstone Group in February 2007 in a transaction valued at \$2.17 billion. Subsequently, Pinnacle Foods Inc. completed a \$580 million initial public offering in March 2013. Upon review of the current public ownership of Pinnacle, the Global Markets Intelligence research unit of S&P Capital IQ finds that The Blackstone Group owned 51% of Pinnacle Foods shares as of April 2nd. To this end, we sought to uncover similar majority ownership stakes held by individual venture capital or private equity firms to find possible M&A targets.

As presented in the table, we identified ten companies with at least a \$1 billion market value and whose shares trade on major US exchanges and have posted a positive gain so far this year whose common shares are majority owned by an individual venture capital or private equity firm. Among these companies include personal products firm Coty Inc., which completed a \$1 billion IPO in June 2013 and finds Netherlands-based investment firm JAB Holdings B.V. owning nearly 69% of its shares. Also uncovered in our examination was leisure facilities operator ClubCorp Holdings Inc., which priced a \$252 million IPO last September, and finds over 63% of its common shares controlled by Denver-based private equity firm KSL Capital Partners LLC which acquired ClubCorp in a \$1.98 billion deal in October 2006. Another issue found in our review is Bright Horizons Family Solution, Inc. That company, which went public in a January 2013 in a \$222 million IPO, has Bain capital LLC owning a nearly 52% stake. In sum, while these companies profiled below are not, to our knowledge, being discussed as potential takeover candidates, the fact that a single financial sponsor controls a majority of their shares may accelerate a deal should the right conditions materialize. We at Global Markets Intelligence will continue to monitor such developments.

Table. Largest Individual Majority Ownership Stakes Held by Venture Capital or Private Equity Firms*

Company Name	VC/PE Firms - % Owned [Latest] [%]	% Price Change [YTD as of 1/1/2014]	Market Capitalization [Latest] [\$USDmm]	Industry Classifications
Coty Inc. [NYSE:COTY]	68.57	3.0	6,042.50	Consumer Staples
USA Compression Partners, LP [NYSE:USAC]	50.82	0.7	1,029.90	Energy
Burger King Worldwide, Inc. [NYSE:BKW]	69.29	11.1	8,939.20	Consumer Discretionary
Revlon, Inc. [NYSE:REV]	68.97	17.6	1,537.20	Consumer Staples
CommScope Holding Company, Inc. [NasdaqGS:COMM]	65.15	34.6	4,745.30	Information Technology
ClubCorp Holdings, Inc. [NYSE:MYCC]	63.37	0.2	1,145.40	Consumer Discretionary
RPC Inc. [NYSE:RES]	59.16	22.0	4,764.30	Energy
Booz Allen Hamilton Holding Corporation [NYSE:BAH]	53.18	28.6	3,574.80	Information Technology
Bright Horizons Family Solutions, Inc. [NYSE:BFAM]	51.85	6.5	2,568.70	Consumer Discretionary
PetroLogistics LP [NYSE:PDH]	50.06	12.5	1,825.10	Materials

* companies with minimum \$1 billion market capitalization and posting positive 2014YTD stock gain. Source: S&P Capital IQ.

SAM STOVALL, Managing Director, U.S. Equity Strategy, Global Markets Intelligence

Last week, the strength of two inflation indicators – the Producer Price Index (PPI) and Consumer Price Index (CPI) – came in stronger than expected, and will likely turn up the heat on the rhetoric surrounding inflation’s rate of growth and the likely response by the Federal Reserve.

Specifically, U.S. headline PPI rose 0.6% in April, which was much stronger than expected after gaining 0.5% in March. The average economist on the Street projected a gain of 0.2% in April. The PPI accelerated to a 2.1% year-over-year rate in April from 1.4% in March. The core PPI rose 0.5% month over month in April, also above the +0.2% expectations after the 0.6% rise in March. The core PPI picked-up to a 1.9% y/y pace from 1.4% in March. Soon thereafter, the U.S. CPI was reported to have risen 0.3% m/m in April, as expected [median +0.3%] on top of the 0.2% gain in March. In addition, the CPI accelerated to a 2.0% y/y rate in April from 1.5% in March. Core CPI grew 0.2% m/m in April, which was firmer than projected [median +0.1%] after the 0.2% gain in March. What’s more, Core CPI accelerated to a 1.8% y/y rate in April from 1.7% y/y in March.

How will investors respond? Will they react negatively to the recent jump in headline inflation, or will concerns continue to be soothed by the still low reading for the Fed’s favorite measure, the PCE or Personal Consumption Expenditure deflator?

April’s 2.0% rise in headline CPI, while uncomfortably higher than March’s value, remains well below the 3.6% average since January 1948. Indeed, 2.0% is below the average CPI for all years since 2000, and is well below the average 7.1% during the 1970s and 5.6% in the 1980s. What’s more, the CPI’s decade-long high water mark of 5.5% in July 2008 pales in comparison to the 14.6% level endured in March 1980, whereas its -2.0% reading in July 2009 was eclipsed only by the six-month stretch from July 1949 through January 1950. In other words, even though many have fretted over the re-emergence of inflation, we have actually enjoyed a fairly steady and benign level of inflation over the past 25 years.

In response to last week’s data, Standard & Poor’s Economics, which operates independently of S&P Capital IQ, quickly dispelled any concerns about inflation rising out of control in the months ahead and accelerating the Fed’s tapering and tightening timetable. U.S. Chief Economist Beth Ann Bovino, wrote “We think the April price jump is actually a welcome sign to the members of the Federal Reserve. After all, monetary policymakers were worried that inflation had declined below the target level of 2% during the recovery – especially in the past year, when price-change figures hovered close to deflationary levels. Moreover, the Fed has been forecasting a rebound for some time, so this should not be taken as a wrench in their plans for interest rates.”

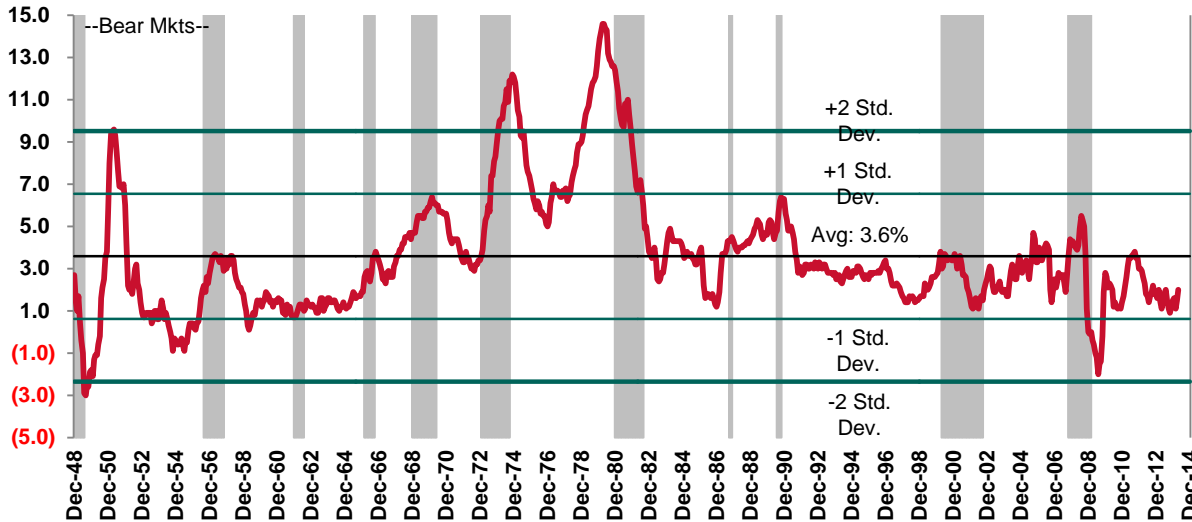
**Table. Y/Y % Changes in
Headline CPI by Decade**

	High	Average	Low
1950s	9.6	2.1	(2.1)
1960s	5.9	2.3	0.7
1970s	13.3	7.1	2.9
1980s	14.6	5.6	1.2
1990s	6.4	3.0	1.4
2000s	5.5	2.4	(2.0)
Since 1948	14.6	3.6	(3.0)

Market Trends:

Inflationary Inferences: We Think Investors May Have PPI: Premature Preoccupation with Inflation

Chart. Year-Over-Year % Change in Headline CPI: December 1948 -- April 2014



Source: S&P Capital IQ, BLS. Past performance is no guarantee of future results.

“Getting inflation back to the target level of 2% is a piece of unfinished business for the Fed, and April's price reports [both CPI and PPI] indicated that inflation is moving in the Fed's expected direction. That said, the Fed targets the Personal Consumption Expenditure [PCE] deflator, not the CPI. As of the first quarter, PCE was running at only a 1.2% annual rate.

“Given the Fed is committed to “exceptionally low” rates for an “extended period,” we think this restrained path for the core prices should give members some cover. The employment cost index has shown little sign of improvement, and we do not expect price gains for 2014 to accelerate much because consumers both at home and abroad remain very cautious about spending. We do not expect the Fed to increase the federal funds rate before the second quarter of 2015.”

This encouraging outlook on inflation doesn't mean, however, that investors should not be aware of historical market and sector performances in case inflation begins to pick up some time in the not-to-distant future. When comparing trends in CPI with bear markets over the past 65 years, one can readily see that bear markets have typically started at relatively low level of year-over-year CPI growth. Indeed, of the 10 bear markets since 1948, six [1956, 1962, 1966, 1973, 2000, and 2007] started when the year-over-year increase in headline CPI was below the average reading of 3.6%, and a seventh [1987] occurred when inflation was only slightly above its long-term average. Of course, the concern for investors likely had more to do with the speed with which inflation had jumped, along with the Fed's expected response to rein it in.

Market Trends:

Inflationary Inferences: We Think Investors May Have PPI: Premature Preoccupation with Inflation

Looking at all months since 1948, encouragingly, the S&P 500 posted an average monthly advance whenever the year-over-year increase in Headline CPI stayed below 4%. Specifically, when CPI rose between 0% and 2%, the S&P 500 gained an average 1.1% per month. What's more, the "500" increased an average of 0.7% per month when inflation climbed to between 2% and 4%. These positive performances, in the face of modestly rising inflation, indicate to me that investors were willing to take the bad [higher inflation] with the good [a growing economy].

Yet once the year-over-year percent change in headline inflation eclipsed the 4% "line in the sand," monthly performances for the S&P 500 went from positive to negative. Since 1948, whenever headline CPI rose between 4% and 6%, the S&P 500 fell an average 0.7%; CPI advances from 6% to 8%, were met with "500" declines of 0.3%; CPI readings of 8%-10% saw market declines of -0.6%; while CPI increases above 10% saw the S&P 500 fall an average 1.5% per month. Remember, however, that past performance is no guarantee of future results.

Taking this monthly look back one step further, not all of the 10 sectors within the S&P 500 performed well during periods of rising inflation. If history is any guide [for it's never gospel], the Energy, Info Tech and Materials sectors held up best, while the Consumer Discretionary, Financials, and Telecom Services were hit the hardest.

Since 1970, the S&P 500 Energy sector recorded the highest annualized gain of 9.0% during those months in which the CPI rose year on year. Other above-average returns were seen in Info Tech [+5.5%], and Materials [+2.7%]. The worst returns were recorded by Consumer Discretionary [-3.0%], Financials [-5.9%], and Telecom Services [-4.9%]. The remaining four sectors posted average annualized returns that were between 1.2% for Health Care and -0.2% for Utilities. [Sector results were computed using market-cap weighted returns of underlying stocks from 1970-1989, and S&P 500 Sector Indices thereafter.]

So there you have it. I believe some investors are undergoing PPI: a premature preoccupation with inflation. S&P Capital IQ doesn't anticipate a dramatic pick-up in the rate of inflation that would force the Fed to alter their tapering or tightening timetable. But should headline CPI begin to creep higher and faster than anticipated, history suggests that investors look to 4% as the "line in the sand," above which stock prices have begun to post average monthly declines. What's more, those sectors most likely to hold up best include the traditional inflation hedges [energy and materials], along with Tech. Beware, however, of the more economically sensitive Consumer Discretionary and Financials groups, along with the high-yielding Telecom Services sector.

Chart. Average Monthly % Change in S&P 500 During Periods of Rising Y/Y Headline CPI (January 1948 - April 2014)

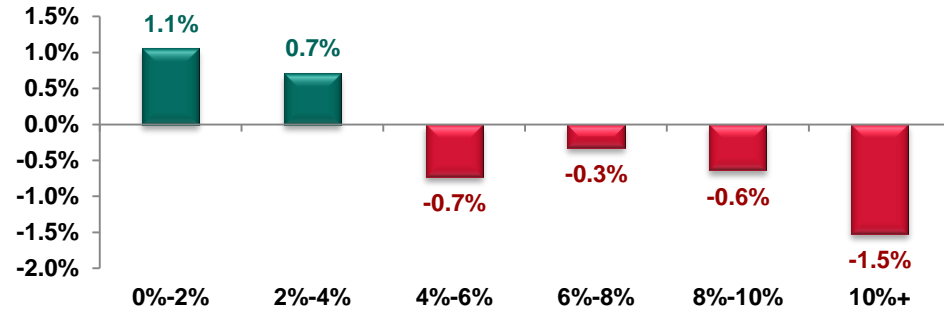
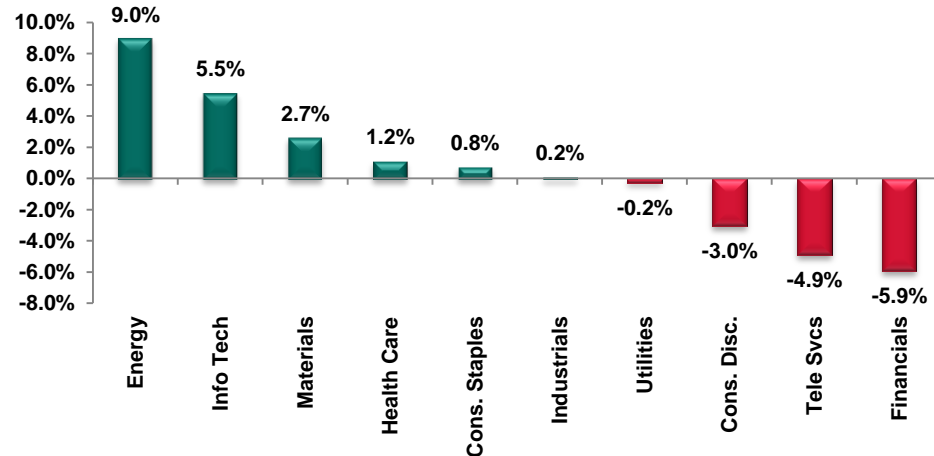


Chart. Average Annualized % Change in S&P 500 Sector Prices During Months of Rising Y/Y Headline CPI (February 1970 -- April 2014)



Source: S&P Capital IQ, BLS. Past performance is no guarantee of future results.

Credit Trends:

The U.S. Corporate Speculative-Grade Default Rate Is Expected To Rise Modestly To 2.3% By March 2015

DIANE VAZZA, Managing Director, Head of Global Fixed Income Research, Standard & Poor's Ratings Services

JACINTO TORRES, Senior Director, Global Fixed Income Research, Standard & Poor's Ratings Services

Research Contributor: ABHIK DEBNATH, CRISIL Global Analytical Center, an S&P affiliate, Mumbai

Standard & Poor's Global Fixed Income Research estimates that the U.S. trailing-12-month speculative-grade corporate default rate declined to 1.5% in March from 1.7% in February. This is the lowest level that we have seen the U.S. speculative-grade default rate at since the financial crisis. The previous low was 1.27% in February 2008. The rate plummeted to 1.69% in January 2014 from 2.12% in December 2013, marking the default rate's largest decline since August 2010. We forecast that the U.S. speculative-grade default rate will increase modestly to 2.5% by December 2014. In this report we track the default rate and other measures of credit quality, such as bond spreads, issuance, and rating trends, to gauge the health of the U.S. financial system.

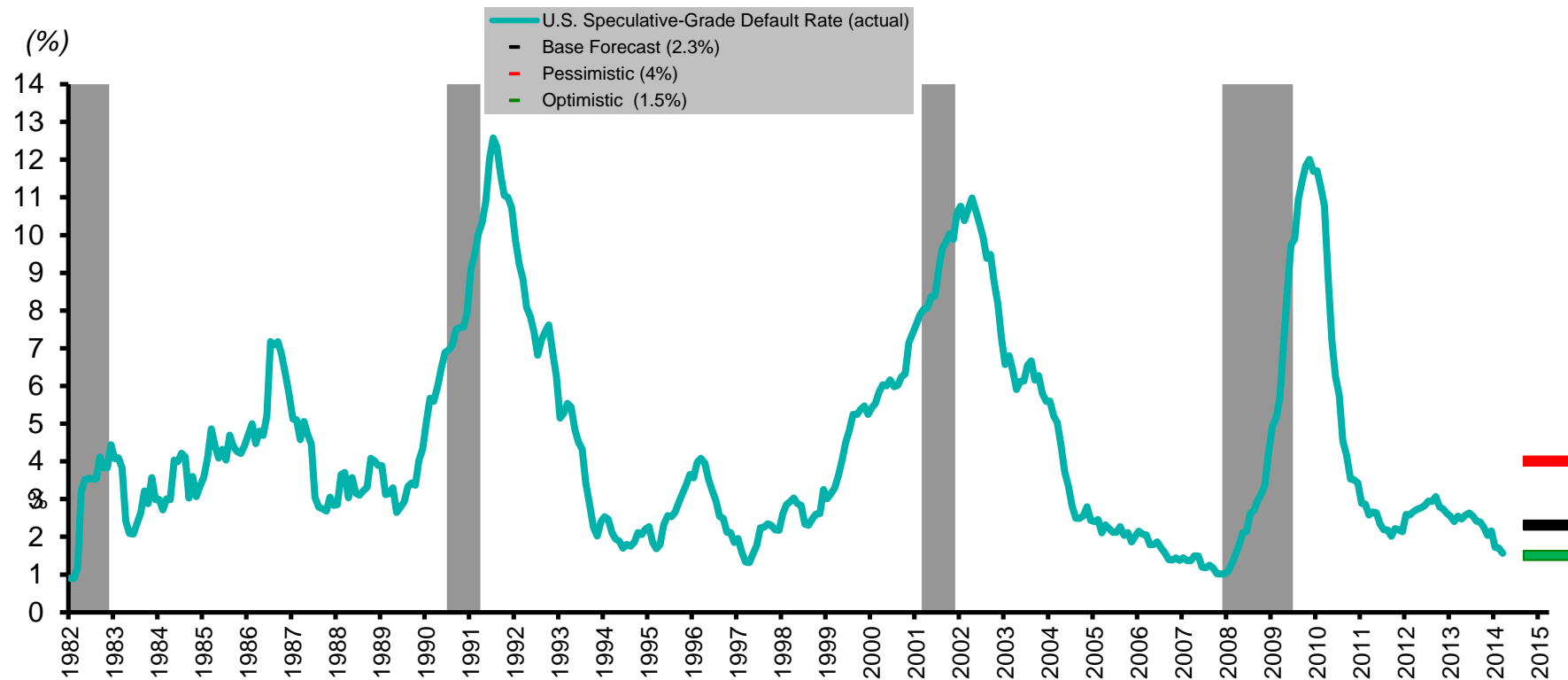
Overview:

- The U.S. corporate trailing-12-month speculative-grade default rate will likely increase to 2.3% by March 2015 from 1.6% in March 2014 and 2.2% in December 2013.
- A total of 40 speculative-grade rated issuers would need to default from April 2014 through March 2015 to reach this projection. By comparison, 25 speculative-grade entities defaulted in the 12 months through March 2014, and 34 defaulted in 2013. The accommodative Fed policy, along with continued improvement in economic conditions, is likely to help keep bond issuance healthy in the near term.
- Corporate bond maturities appear manageable in 2014, and investors continue to allocate capital to sub-investment-grade debt. More than \$120 billion in speculative-grade debt is due to mature in 2014, and, given healthy bond issuance since last year and normal data reporting lags, we suspect that part of this sum has already been refinanced.
- We are mindful of the risk that the markets may turn disorderly during this period of unprecedented monetary policy transition and that other unexpected outside factors could impede the economic recovery.
- Our baseline expectations for U.S. real GDP growth is 2.6% in 2014, compared with 1.9% in 2013.

Credit Trends:

The U.S. Corporate Speculative-Grade Default Rate Is Expected To Rise Modestly To 2.3% By March 2015

Chart. U.S. Trailing 12-Month Speculative-Grade Default Rate And March 2015 Forecast



Shaded areas are periods of recession as defined by the National Bureau of Economic Research (NBER).

Source: Standard & Poor's Global Fixed Income Research; Standard & Poor's CreditPro®

Not surprisingly, with Chairwoman Janet Yellen at the helm, the Fed continues to scale back its asset purchases, and we expect it to do so through much of 2014. Moreover, interest rates should remain zero bound until the middle of 2015. This accommodative Fed policy, along with continued improvement in economic conditions, is likely to help keep bond issuance healthy in the near term. Corporate bond maturities appear manageable in 2014, and investors continue to allocate capital to speculative-grade debt. More than \$120 billion in speculative-grade debt is due to mature in 2014. Given the strong bond issuance in the first quarter of 2014 and much of last year, and accounting for normal data reporting lags, we suspect that part of this sum has already been refinanced. In first-quarter 2014, more than \$52 billion in new corporate speculative-grade bonds came to market, which is indicative of investors' continued appetite for higher-yielding securities, amid the backdrop of currently low defaults.

Credit Trends:

The U.S. Corporate Speculative-Grade Default Rate Is Expected To Rise Modestly To 2.3% By March 2015

To be sure, high-yield issuance has slowed somewhat on an aggregate level and relative to speculative-grade issuance compared with the record levels of 2012 and 2013. However, the relatively easy access that companies have had to the credit markets in the last couple of years have allowed them to raise capital, not just to refinance maturing debt or prefund capital financing needs, but also to explore other opportunities that diversify their income streams, which overall helps put them on much better footing. Nonetheless, we are mindful of the risk that the markets may turn disorderly during this period of unprecedented monetary policy transition. In addition, other unexpected outside factors could impede an economic recovery that is certainly at its best in the last five years or so, but at the same time remains vulnerable to significant market dislocations. The Fed has shown that it is committed to its dual mandate of full employment and price stability, and that is an anchor that the markets could peg their expectations on. We expect the Fed to continue closely monitoring economic data as they come in and adopt [and adjust if needed] its policy response to reflect expectations.

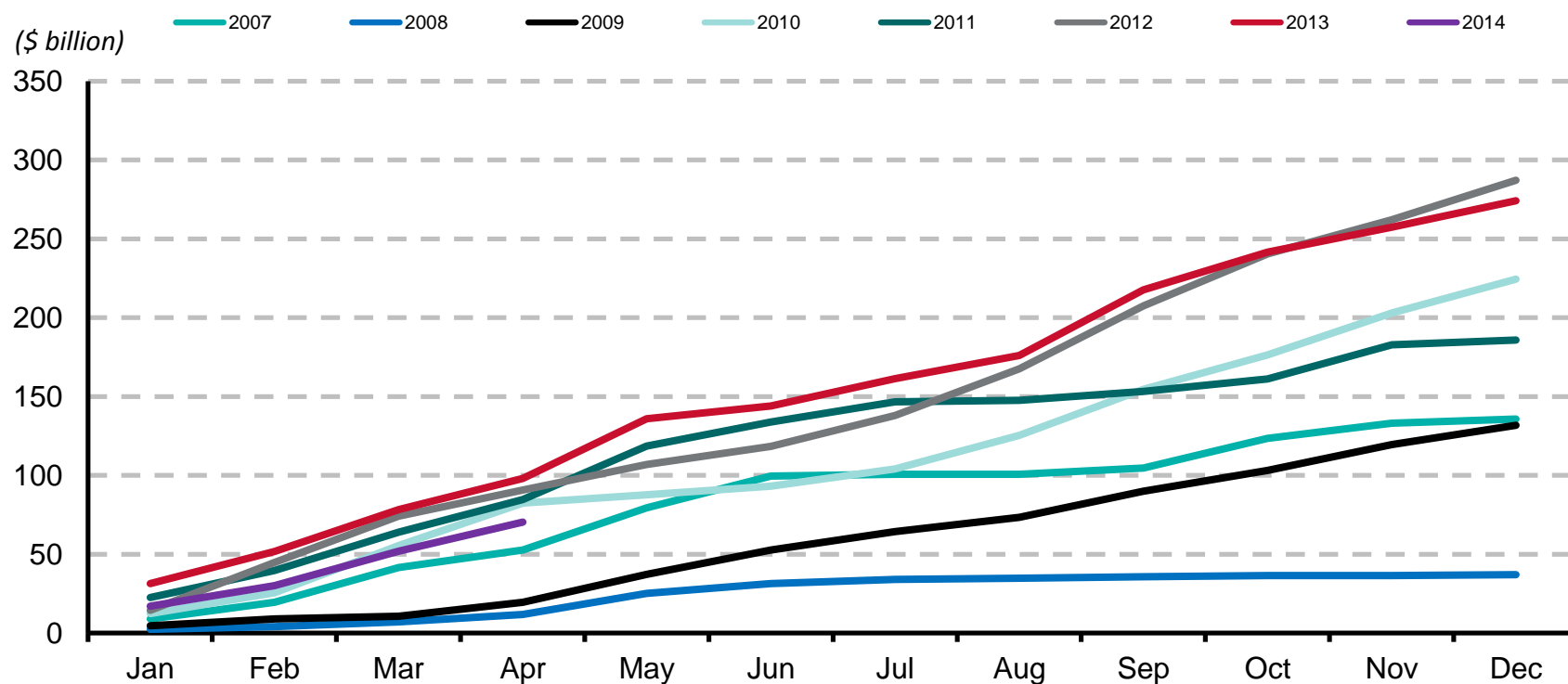
In the U.S., our baseline expectations for real GDP growth is 2.6% in 2014, compared with 1.9% in 2013. The BEA's advanced estimate of real GDP for first-quarter 2014 was up by an annualized rate of only 0.1%, compared with the 2.6% increase in GDP in fourth-quarter 2013. This is well below consensus expectations and reflects lower levels of exports, private inventory investment, nonresidential fixed investments, residential fixed investment, and state and local government spending. Consumer spending, however, was up by 3% in the first quarter, following a 3.3% gain in fourth-quarter 2013. Consumers are likely to continue opening their wallets as unemployment improves further. We expect the unemployment rate to decline to 6.2% by year-end and to below 6% by mid-2015. The private sector will likely continue to fuel stronger economic growth, as it has done since last year. The housing sector will likely get stronger after the harsh winter, but higher raw material costs and rising interest rates might temper gains.

Outside of the U.S., we expect Europe to post generally stronger growth in 2014 and 2015. The eurozone's real GDP will likely grow by 1% in 2014 and 1.4% in 2015, while the U.K.'s will grow by 2.7% and 2.4%, respectively. We anticipate that China's economy will grow by 7.4% in 2014 and 7.2% in 2015 and India's economy will grow by 6% and 6.3%. Growth in the emerging Asia region will likely hit 6.3% for 2014 and 6.4% in 2015. Meanwhile, the Japanese economy will likely grow by 1.3% in 2014 and 1.2% in 2015, following the policy shift to Abenomics. Latin America will also contribute to global economic growth this year, with the region's real GDP expected to grow by about 2.7% in 2014 and 3% in 2015.

Credit Trends:

The U.S. Corporate Speculative-Grade Default Rate Is Expected To Rise Modestly To 2.3% By March 2015

Chart. U.S. Corporate Speculative-Grade New Issuance



Data as of April 17, 2014.

Source: Standard & Poor's Global Fixed Income Research; ThomsonFinancial

Our U.S. default forecast is based on current observations and expectations of the likely path of the U.S. economy and financial markets. In addition to our baseline projection, we also forecast the default rate in our optimistic and pessimistic scenarios. Our optimistic default rate forecast assumes that U.S. real GDP will be stronger, growing by 3.5% in 2014, and exceeding 4% in 2015. This growth will be fueled by a strong private-sector and robust growth in consumer and business spending that stems from increased confidence. The increase in consumer spending would be supported by a faster improvement in the labor market, with the unemployment rate declining to 4.8% in 2015. Under this scenario, we would expect the default rate to decline to about 1.5% through March 2015 [26 defaults in the trailing 12 months].

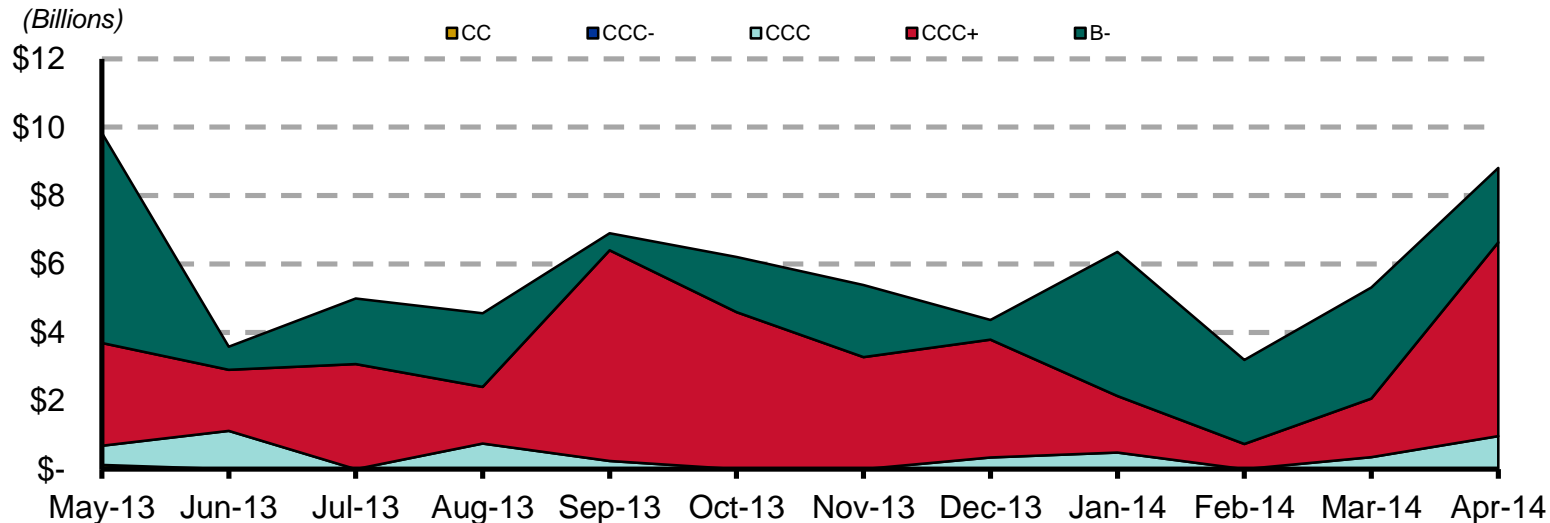
Credit Trends:

The U.S. Corporate Speculative-Grade Default Rate Is Expected To Rise Modestly To 2.3% By March 2015

On the other hand, our pessimistic scenario assumes that U.S. economic growth will be slower, with real GDP growing by just 1.2% in 2014 and 1.6% in 2015. The lower GDP growth reflects a worsening in global economic conditions, with China's growth decelerating faster and a stalled recovery in Europe. A possible credit event in the nonbank financial sector of China would cause funding to dry up and hurt overall economic growth. A significant slowdown in China would have global repercussions. In Europe, in addition to the stalled recovery, increased uncertainty in Ukraine would add another layer of stress to the economy and the financial system. Domestically, consumers would be reluctant to spend given the volatility in the financial markets and flat wages. Moreover, the unemployment rate rises back above 7.0% in 2015. Business investment declines. Investors become very selective and available credit is significantly constrained, particularly to entities with lower credit quality. Under this pessimistic scenario, we would expect the default rate to rise to 4.0% [70 defaults in the trailing 12 months]. The default rate may be even higher beyond our forecast horizon.

We determine our forecast based on a variety of factors, including our proprietary default model for the U.S. corporate speculative-grade bond market. The main components of the model include economic variables, such as the unemployment rate; financial variables such as corporate profits, the Fed's Senior Loan Officer Opinion Survey on Bank Lending Practices, the interest burden, and the slope of the yield curve; and credit-related variables such as negative bias. The interaction between the dependent variable--the U.S. speculative-grade default rate--and the input variables is in line with our expectations. For instance, increases in the unemployment rate and the negative bias are positively correlated with the speculative-grade default rate, which means that as the unemployment rate increases, or as the proportion of entities with negative outlooks or ratings on CreditWatch negative rises, default rates usually increase. We update our outlook for the U.S. corporate speculative-grade default rate each quarter after analyzing the latest economic data and expectations.

Chart. U.S. Corporate Speculative-Grade New Issuance (B- And Below)



Data as of April 2014.

Source: Standard & Poor's Global Fixed Income Research; ThomsonFinancial

To learn more about S&P Capital IQ, please contact us at +1 212.438.8701 or info@capitaliq.com

Credit Trends:

The U.S. Corporate Speculative-Grade Default Rate Is Expected To Rise Modestly To 2.3% By March 2015

Long-Term Risks

In the longer term, a sustained and significant reallocation of capital from bonds to other asset classes could pose a risk to companies looking to refinance or raise capital. Investor demand can be fleeting, as history has shown, and that fickleness is even more pronounced in the speculative-grade segment. Investor sentiment has swung back and forth over the last few years, as is evident in the ebb and flow of new bond issuance activity. A potential factor that may blunt investor demand in the coming years is the anticipated reversal of the Fed's monetary policy. When the Fed starts to move away from zero-bound interest rate policy, the expectation of an overall higher interest rate could give investors pause. This could lead to a slowdown in bond issuance activity, which, together with an increase in borrowing costs, could be detrimental to the credit markets. Moreover, possible regulatory changes and stricter liquidity buffer expectations could hinder many financial institutions from lending to companies. Lower-rated companies, which tend to be smaller and have less financial flexibility, would be particularly vulnerable. Companies with upcoming debt maturities would be at a disproportionately greater risk of default, especially if the economy or the financial markets deteriorate. Based on the maturity schedules of all speculative-grade U.S. fixed- and floating-rate corporate bonds and bank debt, upcoming maturities increase significantly in 2017 and 2018. Nearly \$340 billion in debt will mature in 2015 and 2016, and almost \$700 billion more will mature in the succeeding two years [see table 1]. Borrowers vying for capital would likely face increased competition, especially in light of the much more significant debt held by investment-grade entities that we expect to mature during the same period.

Table. U.S. Maturing Speculative-Grade Corporate Debt

(Bill. \$)	2014	2015	2016	2017	2018
BB+	13.9	14.0	31.1	24.4	55.3
BB	24.0	24.0	46.8	39.7	49.6
BB-	17.4	32.2	36.5	71.5	63.7
B+	23.9	14.0	24.9	48.6	67.2
B	14.4	10.3	22.3	49.4	72.8
B-	7.2	23.6	14.5	32.7	39.0
CCC+/below	21.2	18.1	25.9	38.4	38.1
Total	122	136	202	305	386

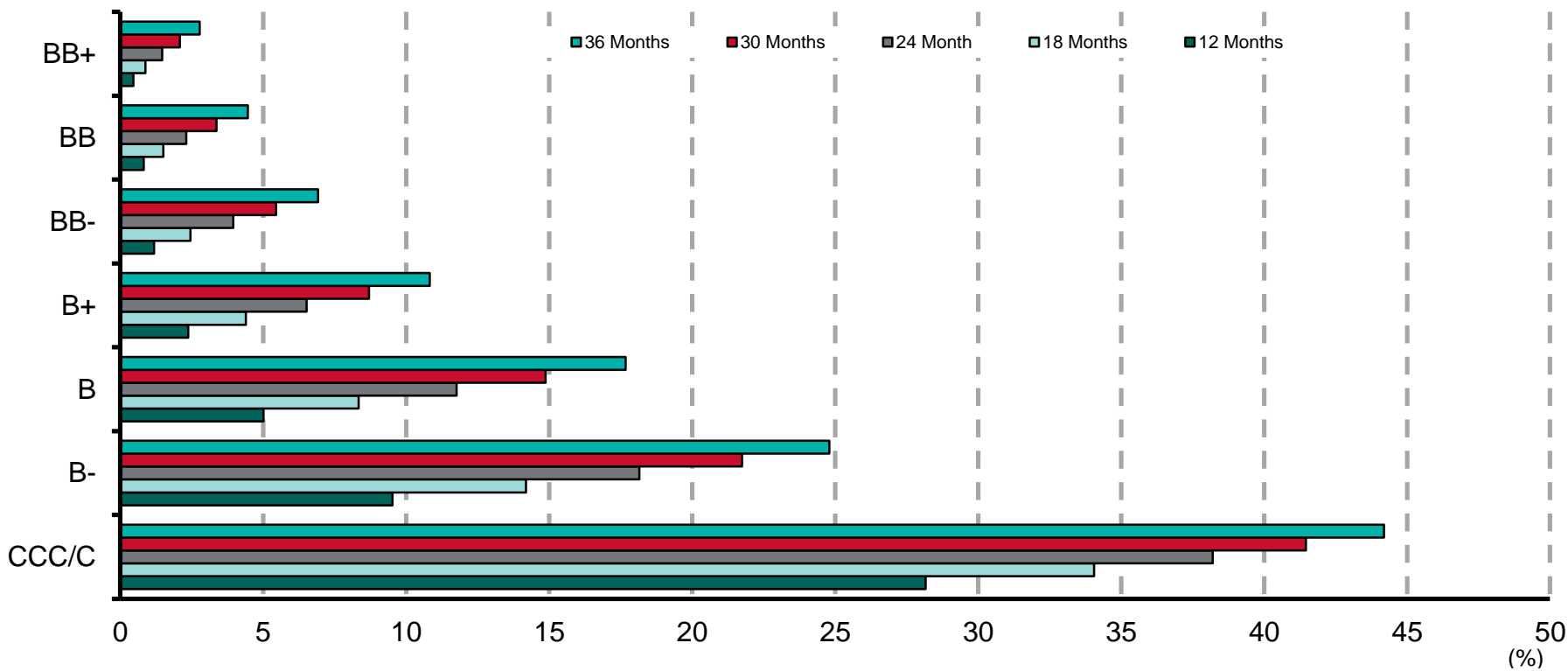
Data as of Dec. 31, 2013. Includes bonds, loans, and revolving credit facilities. Estimates are likely biased on the high side because our tallies do not always take into account amortization schedules and loan paydowns. Additionally, revolving credit facilities are usually tallied at full value whether or not they are fully drawn. Includes all debt issued by U.S. companies and their foreign subsidiaries, both in U.S. dollars and foreign currencies. Foreign currencies are converted to U.S. dollars at the exchange rate on close of business on Dec. 31, 2013. Table does not include foreign companies issuing dollar denominated debt under the name of their U.S. subsidiary. Source: S&P Capital IQ and Standard & Poor's Global Fixed Income Research.

Credit Trends:

The U.S. Corporate Speculative-Grade Default Rate Is Expected To Rise Modestly To 2.3% By March 2015

Of the 1,741 entities in the U.S. speculative-grade pool, 214 entities were rated 'B-' and 81 entities were rated 'CCC' or lower, accounting for a combined 17% of the total. From 1981 to 2013, an average of 9.52% of entities rated 'B-' and 28.16% of entities rated 'CCC' and lower defaulted within a 12-month period. If we apply these averages to the current mix of entities rated 'B-' and lower, it would hypothetically yield a total of 43 defaults in the next 12 months, excluding any defaults from entities with other ratings. To put this in the perspective of our baseline forecast, only 40 entities would need to default in the next 12 months from a total pool of 1,741 U.S. speculative-grade entities for the default rate to rise to 2.3%. This scenario does not incorporate historical default rates for other speculative-grade ratings and longer time horizons [such as 24 months or 36 months], which are even higher [see chart 5].

Chart. U.S. Average Default Rates By Time Horizon (1981- 2013)



Source: Standard & Poor's Global Fixed Income Research; Standard & Poor's CreditPro®.

Default Signposts

Banks, on the whole, have eased their lending policies for commercial and industrial loans and noticed stronger demand for such loans, according to the Fed's first-quarter 2014 Senior Loan Officer Opinion Survey [see table 2]. Corporate profits and industrial production continued to grow, reflecting the improvement in the overall economy. The yield curve retreated to 268 basis points [bps] at the end of March 2014 after hovering close to 300 bps at the end of 2013. The percentage of distressed companies [speculative-grade entities trading at 1,000 bps or higher relative to treasuries] in the speculative-grade market remains very low, at 4.9% in April, which is indicative of the relatively benign current market conditions and the low speculative-grade spreads in recent quarters. Volatility [as measured by the Chicago Board Options Exchange Market Volatility Index [VIX]] is currently at about 13, declining further from 18.4 in January 2014. Downgrades slightly outpaced upgrades in first-quarter 2014, reversing the two quarters when upgrades outpaced downgrades. With more companies that have negative outlooks or ratings on CreditWatch negative than those that have positive outlooks or ratings on CreditWatch positive, downgrades will likely continue to outpace upgrades over the coming quarters. The number of weakest links [issuers rated 'B-' and lower with either negative rating outlooks or ratings on CreditWatch negative] was 84 in April 2014.

Table. Early Warning Signals Of U.S. Corporate Default Pressure

	Q2 2014*	Q1 2014	2013 YE	2012 YE	2011 YE	2010 YE	2009 YE	2008 YE	2007 YE
U.S. unemployment rate [%]		6.7	6.7	7.8	8.5	9.4	10	7.4	5
Fed survey on lending Conditions		-13.7	-8.3	-7.6	-5.9	-10.5	14	83.6	19.2
Industrial production [% chya]		3.8	3.7	2.2	2.9	5.9	-1.6	-9.4	1.8
Slope of the yield curve [10-yr less 3-month, bps]	264	268	297	173	197	315	354	239	110
Corporate profits [nonfinancial, % chya]			5.5	4.9	12.9	22.2	7.3	-10	-14.2
Equity market volatility [VIX]	13.4	13.9	13.7	18	23.4	17.5	21.7	40	22.5
High yield spreads [bps]	408.5	402.9	432.3	565.1	723	521	604	1647	561
Interest burden [%]			11.5	11.1	11.1	12	12.7	14	12.8
S&P distress ratio [%]	4.9	4.8	5.3	9.7	16.6	6.5	14.6	85.2	6.1
S&P SG outlook distribution [%]	61	62	64.4	63.5	64.3	59.9	77	83	70
Ratio of downgrades to total rating actions [%]	54	53	38	65.2	67.5	45.4	82	79	63
Proportion of SG issuance rated B- or lower [%]	44.4	32.1	37.2	39.8	21.8	36.2	28.4	19	50.9
U.S. weakest links [#]	84	83	85	95	95	81	154	208	81

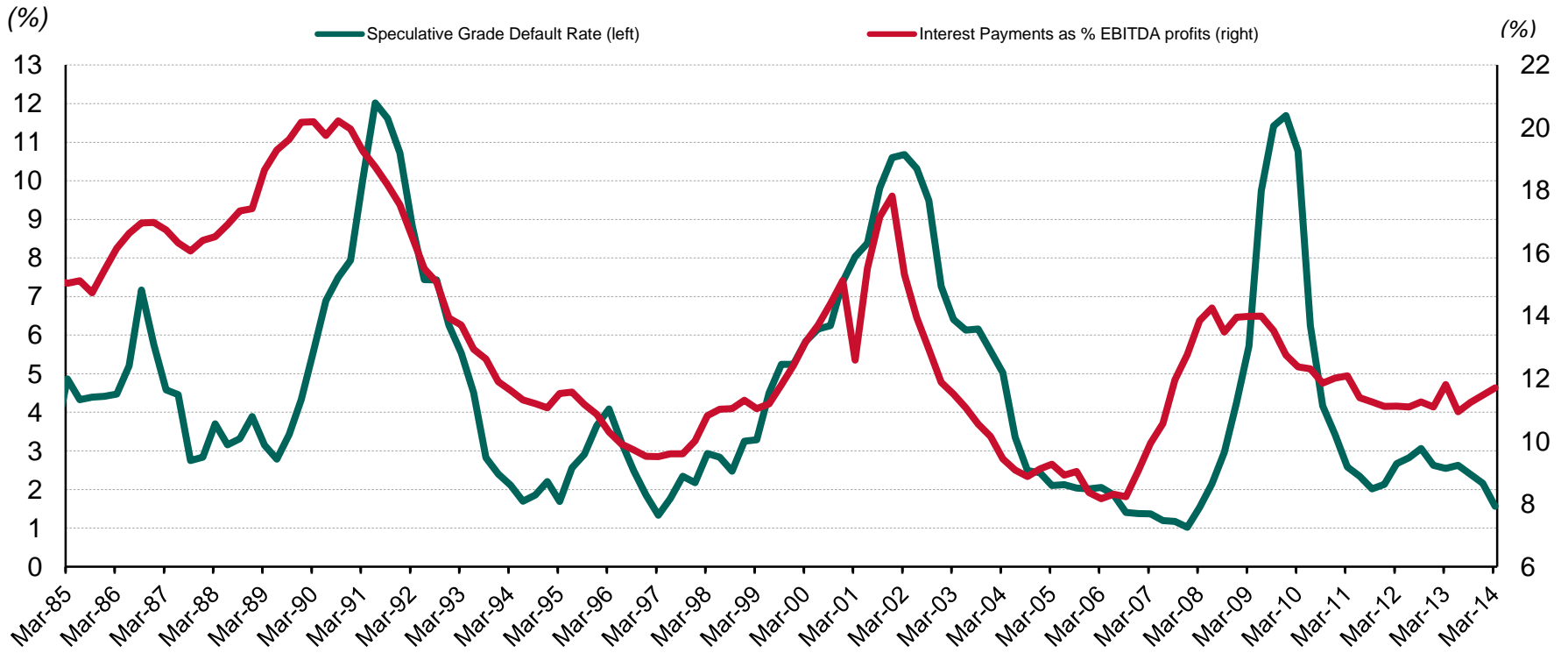
*Second-quarter 2014 data as of April. Note: Fed Survey refers to net tightening for large firms. S&P outlook distribution defined as ratio of firms with negative bias compared with firms on positive bias. Source: Global Insight; Standard & Poor's Global Fixed Income Research. U.S. Corporate Profits data taken from <http://www.wsj.com/articles/2010/oct2010/prof-o06.shtml>.

Credit Trends:

The U.S. Corporate Speculative-Grade Default Rate Is Expected To Rise Modestly To 2.3% By March 2015

The U.S. corporate interest burden has been 11%-13% since 2010 [see chart 6]. Despite the large borrowings in recent quarters, low interest rates and strong corporate profits have kept interest payments [as a percentage of income] from rising higher. We define interest burden as net interest payments as a percentage of our EBITDA profits proxy [the sum of profits, consumption of fixed capital, and net interest payments].

Chart. U.S. Corporate Speculative-Grade Default Rate Versus Interest Burden



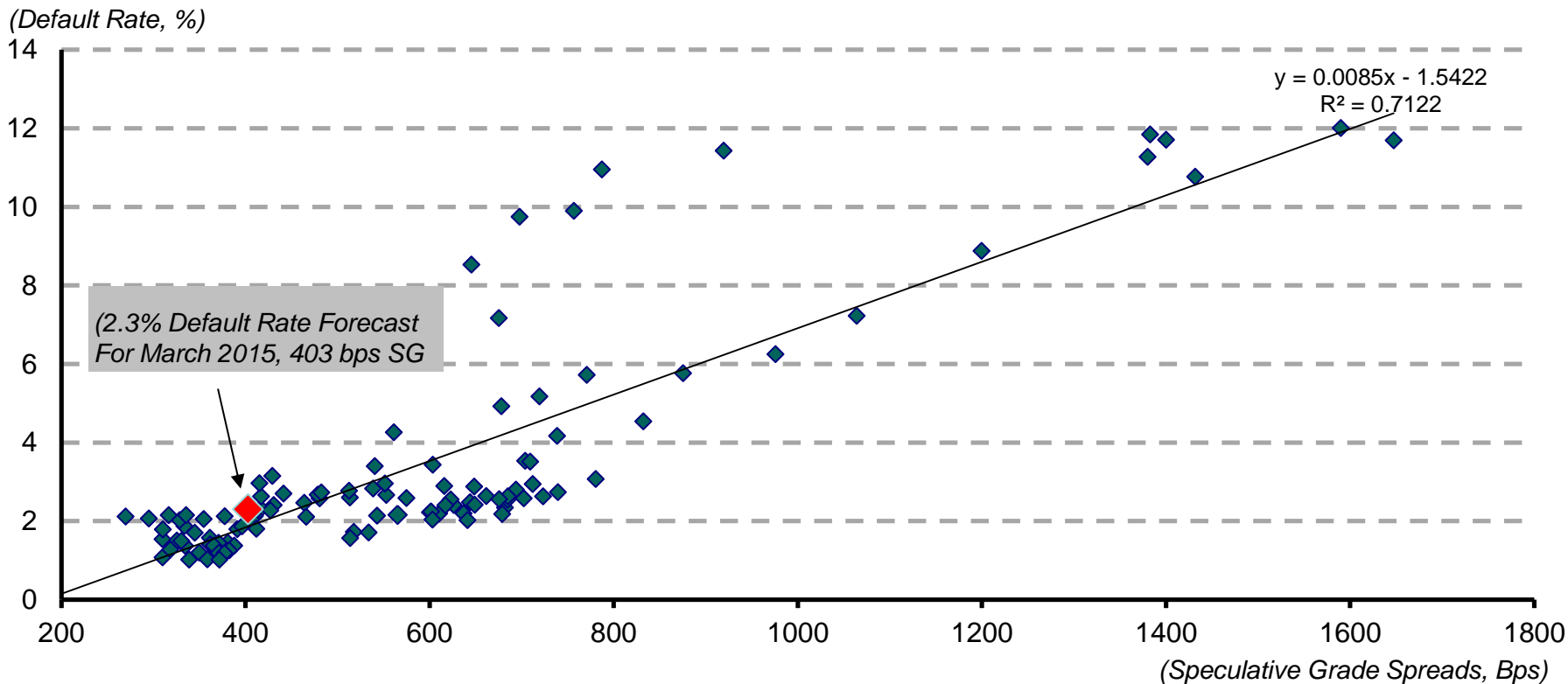
Data as of Mar. 2014. Source: Bureau of Economic Analysis, Standard & Poor's Global Fixed Income Research; Standard & Poor's CreditPro®.

Credit Trends:

The U.S. Corporate Speculative-Grade Default Rate Is Expected To Rise Modestly To 2.3% By March 2015

The cost of borrowing for companies is an important indicator of the health of the credit markets. One measure of this is the U.S. corporate speculative-grade spread, which inherently reflects default rate expectations. For example, after the speculative-grade spread reached its five-year high in 2008, a wave of defaults followed that pushed the default rate to its November 2009 peak [see chart 7]. The speculative-grade spread has tightened considerably since then, and thus it is not surprising that the default rate has declined as well. In March 2014, the U.S. speculative-grade spread remained relatively low at 403 bps, compared with 432 bps in December 2013, 508 bps in September, and 565 bps in December 2012. The spreads for March 2014 are on-trend vis-à-vis our baseline forecast of 2.3% for March 2015.

Chart. U.S. Corporate Speculative-Grade Spreads And 1-Year Lagged Default Rate



Source: Standard & Poor's Global Fixed Income Research.

This article is part of our Global Fixed Income Research content currently accessible on RatingsDirect. Additional exclusive content is accessible to subscribers who upgrade their RatingsDirect package to include the Global Fixed Income Research add-on, including access to all of our full, comprehensive analyses, underlying data download capability, and quarterly webcasts.

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To help evaluate your strategic portfolio positioning, develop your investment ideas and identify potential gaps and opportunities, Standard & Poor's Global Fixed Income Research provides top down information on:

- Global credit trends
- Macroeconomic conditions
- Sector-specific developments that impact the global capital markets including ratings transitions and anomalies
- Distressed, default and recovery research

Global Fixed Income Research is available through RatingsDirect, the online source for Standard & Poor's Credit Ratings and Research.

Related Research

- Global Corporate Bond Issuance Bounces Back In March 2014, Reaches \$322 Billion, April 8, 2014
- 2013 Annual European Corporate Default Study And Rating Transitions, April 8, 2014
- 2013 Annual U.S. Corporate Default Study And Rating Transitions, March 25, 2014
- 2013 Annual Global Corporate Default Study And Rating Transitions, March 19, 2014
- U.S. Refinancing Study: \$3.5 Trillion In Corporate Debt To Mature By Year-End 2018, Feb. 28, 2014

S&P Capital IQ and S&P Indices collaborated to produce these monthly performance views for the top 10 sectors of the S&P 500.

Market Observations Covering:

Consumer Discretionary
Consumer Staples
Energy
Financials
Healthcare
Industrials
Information Technology
Materials
Telecommunications
Utilities

INDUSTRY SPECIFIC DATA

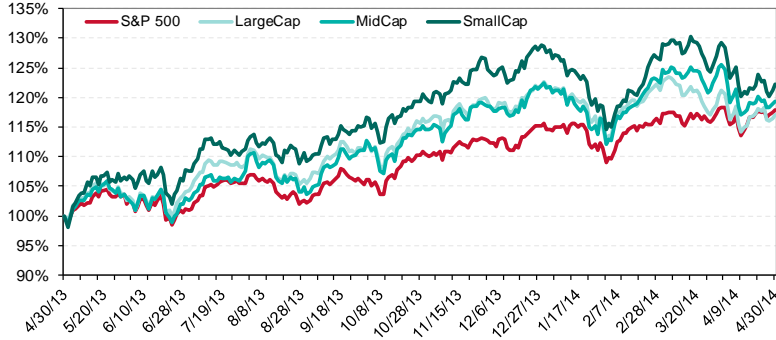
S&P Capital IQ uses the Global Industry Classification Standard [GICS®] to categorize and tag all companies within our database.

We also collect industry specific and supplemental financials for 17 industries: Airline, Bank, Hotels & Gaming, Healthcare Facilities, Homebuilding, Insurance, Internet Media, Managed Care [HMO], Mining, Oil & Gas, Pharmaceutical, Real Estate, Restaurant, Retail, Semiconductor Equipment, Asset Management, and Telecommunications, Cable & Wireless.

To learn more about GICS or our industry-specific and supplemental data items, contact info@capitaliq.com.

Consumer Discretionary Sector Snapshot

LTM Relative % Performance vs. S&P 500: Consumer Discretionary



LTM Transaction Activities: Consumer Discretionary

Deal Type	2011		2012		2013		2014	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	2,440	\$ 78,266	2,640	\$ 76,310	2,877	\$ 170,766	2,783	\$ 192,393
LBO	308	29,252	352	14,642	388	34,029	347	19,200
Strategic M&A	2,132	49,013	2,288	61,668	2,489	136,737	2,436	173,193
Non-LBO PE	377	\$ 8,989	372	\$ 6,064	367	\$ 6,595	393	\$ 8,925
PIPEs	219	1,607	183	1,205	120	937	209	2,062
Venture Capital	693	4,511	736	5,095	763	3,799	838	3,930

(M&A only) Deal Multiples	2011		2012		2013		2014	
	< \$500M	> \$500M	< \$500M	> \$500M	< \$500M	> \$500M	< \$500M	> \$500M
TEV/EBITDA	13.0x	8.7x	10.7x	8.7x	9.6x	8.7x	11.9x	9.7x
Equity/LTM NI	19.3x	17.6x	19.3x	21.3x	16.9x	24.3x	20.2x	22.4x

Distribution of Stocks by YTD % Returns and Industry: Consumer Discretionary

Industry	2014 YTD Stock Price Performance								Count	Total (\$ mil)		
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%		MarCap	Earnings	P/E
Advertising				3	5	1			9	\$38,391	\$1,360	28.2x
Apparel Retail		1	5	22	6				34	\$138,788	\$7,326	18.9x
Apparel, Accessories and Luxury Goods			3	8	9				20	\$131,560	\$5,375	24.5x
Auto Parts and Equipment				7	13	5	2		27	\$130,606	\$7,823	16.7x
Automobile Manufacturers				2	2	1			5	\$144,234	\$9,624	15.0x
Automotive Retail			1	5	10				16	\$76,490	\$4,079	18.8x
Broadcasting				6	10	3			19	\$114,174	\$5,315	21.5x
Cable and Satellite					6	5			11	\$320,515	\$12,443	25.8x
Casinos and Gaming				4	9	4			17	\$127,529	\$362	352.4x
Catalog Retail					2				2	\$16,819	\$687	24.5x
Computer and Electronics Retail		1	3	1				1	6	\$16,812	\$1,222	13.8x
Consumer Electronics		1			1	2			4	\$18,855	\$857	22.0x
Department Stores					4	2			6	\$54,107	\$650	83.2x
Distributors			1	2	3				6	\$25,519	\$1,160	22.0x
Education Services		1	3	7	8	3			22	\$31,855	\$297	107.2x
Footwear					5	1			6	\$74,909	\$3,144	23.8x
General Merchandise Stores			1	5	1	1			8	\$76,446	\$4,022	19.0x
Home Furnishing Retail				3	3	3			9	\$28,373	\$1,686	16.8x
Home Furnishings					4	2			6	\$20,171	\$795	25.4x
Home Improvement Retail		1		4					5	\$153,168	\$7,779	19.7x
Homebuilding				2	13	5	1		21	\$48,944	\$5,797	8.4x
Hotels, Resorts and Cruise Lines				2	11	5	1		19	\$137,873	\$4,587	30.1x
Household Appliances					4	1			5	\$15,154	\$916	16.5x
Housewares and Specialties					3	2			5	\$20,229	\$919	22.0x
Internet Retail		3	5	9	9		1	1	28	\$283,105	\$3,279	86.3x
Leisure Facilities					4	5			9	\$17,414	\$199	87.7x
Leisure Products			2	6	4				12	\$36,950	\$2,699	13.7x
Motorcycle Manufacturers					1	1			2	\$16,001	\$738	21.7x
Movies and Entertainment		1	1	9	5	1	2		19	\$343,299	\$18,572	18.5x
Publishing					6	3	1	2	12	\$30,096	\$764	39.4x
Restaurants			3	22	15				40	\$274,668	\$9,722	28.3x
Specialized Consumer Services				3	7	3			13	\$23,198	\$791	29.3x
Specialty Stores				5	11	5	2		23	\$80,850	\$3,363	24.0x
Textiles					1				1	\$414	\$31	13.5x
Tires and Rubber						2			2	\$7,947	\$616	12.9x

NOTES

LTM relative performance chart is based on S&P equity indices as of 4/30/14.

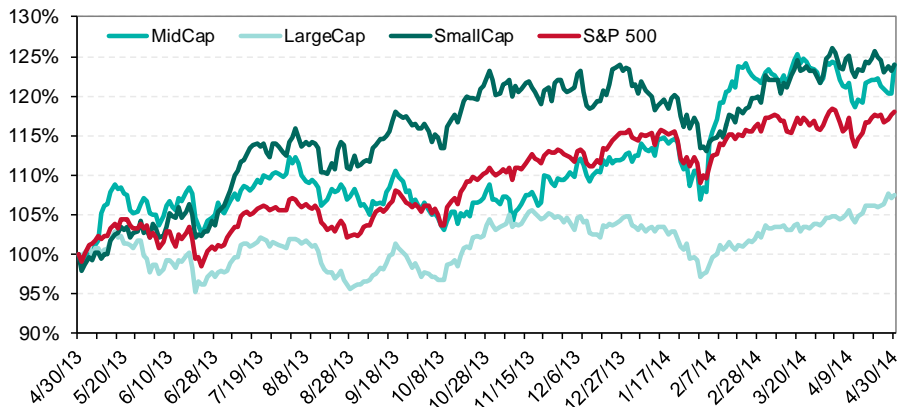
Transaction activities data is as of 4/30/14 and includes both U.S. and Canadian targets.

Distribution of stocks by industry includes only US-exchange traded equities above \$250MM in market cap as of 4/30/14.

Definition of 'Earnings' is aggregate LTM net income to common excluding extra items. 'P/E' equals total aggregate industry market capitalization divided by LTM net

Consumer Staples Sector Snapshot

LTM Relative % Performance vs. S&P 500: Consumer Staples



LTM Transaction Activities: Consumer Staples

Deal Type	Last Twelve Months Ending April 30th of:							
	2011		2012		2013		2014	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	473	\$ 35,195	517	\$ 38,569	532	\$ 61,872	587	\$ 88,487
LBO	73	13,772	64	3,311	55	31,555	62	2,637
Strategic M&A	400	21,423	453	35,258	477	30,317	525	85,849
Non-LBO PE	136	\$ 2,801	104	\$ 1,263	127	\$ 2,012	131	\$ 1,405
PIPEs	88	425	102	1,144	104	300	139	2,201
Venture Capital	187	551	175	905	276	963	305	1,145

(M&A only) Median Deal Multiples	2011		2012		2013		2014	
	< \$500M	> \$500M	\$500M	> \$500M	\$500M	> \$500M	\$500M	> \$500M
TEV/EBITDA	6.4x	8.2x	9.3x	7.7x	8.2x	13.4x	9.3x	10.4x
Equity/LTM NI	15.2x	14.2x	18.4x	17.6x	14.0x	81.9x	14.4x	25.8x

Distribution of Stocks by YTD % Returns and Industry: Consumer Staples

Industry	2014 YTD Stock Price Performance										Total (\$ mil)			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+	Count	MarCap	Earnings	P/E
Agricultural Products					4	3					7	\$50,581	\$1,662	30.4x
Brewers					1	2					3	\$14,852	\$776	19.1x
Distillers and Vintners						1	1				2	\$34,512	\$2,582	13.4x
Drug Retail						2		1			3	\$161,111	\$7,720	20.9x
Food Distributors				1	2	2					5	\$27,095	\$1,204	22.5x
Food Retail		1		2	9	2	1				15	\$61,338	\$2,387	25.7x
Household Products					3	7					10	\$355,730	\$16,266	21.9x
Hypermarkets and Super Centers					2	1					3	\$301,013	\$17,736	17.0x
Packaged Foods and Meats				1	15	20	5				41	\$344,635	\$16,935	20.4x
Personal Products				3	3	4	1				11	\$55,267	\$1,785	31.0x
Soft Drinks					2	6					8	\$368,647	\$18,033	20.4x
Tobacco					1	4	1				6	\$267,929	\$15,441	17.4x

NOTES

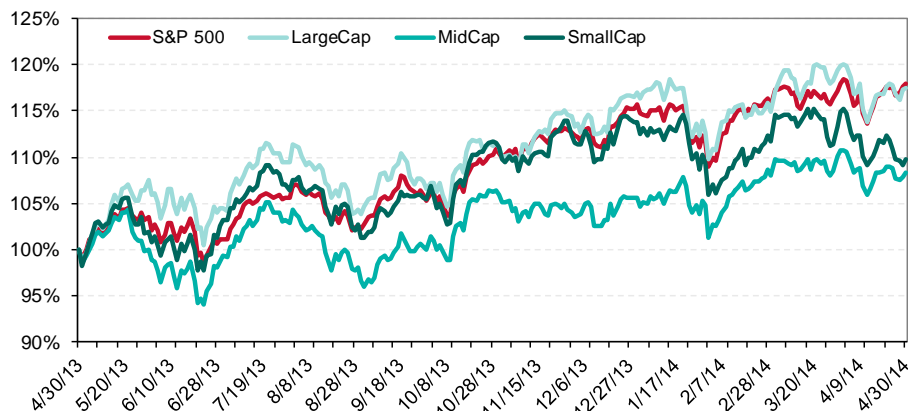
LTM relative performance chart is based on S&P equity indices as of 4/30/14.

Transaction activities data is as of 4/30/14 and includes both U.S. and Canadian targets.

Distribution of stocks by industry includes only US-exchange traded equities above \$250MM in market cap as of 4/30/14.

Definition of 'Earnings' is aggregate LTM net income to common excluding extra items. 'P/E' equals total aggregate industry market capitalization divided by LTM net income.

LTM Relative % Performance vs. S&P 500: Energy



LTM Transaction Activities: Energy

Deal Type	Last Twelve Months Ending April 30th of:							
	2011		2012		2013		2014	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	1,162	\$143,352	1,084	\$201,233	966	\$177,136	982	\$112,439
LBO	49	3,403	34	20,915	43	4,646	37	3,032
Strategic M&A	1,113	139,950	1,050	180,317	923	172,490	945	109,407
Non-LBO PE	155	\$ 10,367	117	\$ 5,561	114	\$ 5,667	91	\$ 3,363
PIPEs	678	9,371	465	7,430	386	4,955	407	5,323
Venture Capital	146	4,414	152	8,086	141	9,226	145	10,257

(M&A only)	2011		2012		2013		2014	
	Deal	Deal	Deal	Deal	Deal	Deal	Deal	Deal
Median Deal Multiples	< \$500M	> \$500M	\$500M	> \$500M	\$500M	> \$500M	\$500M	> \$500M
TEV/EBITDA	9.8x	14.2x	7.2x	9.1x	6.0x	13.7x	5.6x	5.5x
Equity/LTM NI	16.8x	27.0x	12.4x	25.5x	15.5x	28.2x	16.9x	18.3x

Distribution of Stocks by YTD % Returns and Industry: Energy

Industry	2014 YTD Stock Price Performance								Count	MarCap	Total (\$ mil)			
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%			<80%	80%+	Earnings	P/E
Coal and Consumable Fuels			1		4		5		1	1	12	\$29,017	-\$1,399	N/M
Integrated Oil and Gas						6	1				7	\$776,696	\$61,156	12.7x
Oil and Gas Drilling			1		12		17		3	1	18	\$100,621	\$8,956	11.2x
Oil and Gas Equipment and Services			2		12		17		13	1	46	\$369,467	\$16,005	23.1x
Oil and Gas Exploration and Production			1		17		56		21	9	110	\$677,632	\$18,217	37.2x
Oil and Gas Refining and Marketing			2		5		15		1	2	27	\$161,955	\$9,990	16.2x
Oil and Gas Storage and Transportation			3		20		47		16	3	89	\$623,880	\$15,710	39.7x

NOTES

LTM relative performance chart is based on S&P equity indices as of 4/30/14.

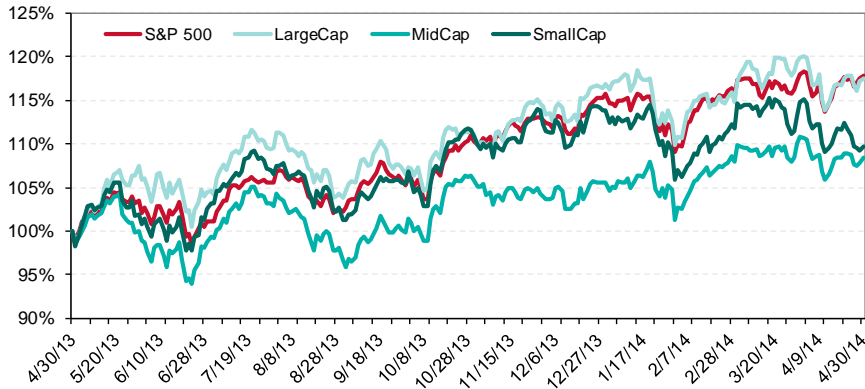
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Financials Sector Snapshot

LTM Relative % Performance vs. S&P 500: Financials



LTM Transaction Activities: Financials

Deal Type	Last Twelve Months Ending April 30th of:							
	2011		2012		2013		2014	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	4,115	\$190,265	5,108	\$246,988	6,303	\$279,632	6,369	\$313,967
LBO	165	3,879	128	5,396	136	9,450	85	6,121
Strategic M&A	3,950	186,386	4,980	241,592	6,167	270,182	6,284	307,846
Non-LBO PE	442	\$ 20,223	453	\$ 12,606	304	\$ 6,431	329	\$ 13,852
PIPEs	230	5,720	258	9,030	204	5,659	255	4,628
Venture Capital	329	5,939	403	7,019	298	4,176	327	3,706

(M&A only)	2011		2012		2013		2014	
	Deal	Deal	Deal	Deal	Deal	Deal	Deal	Deal
Median Deal Multiples	< \$500M	> \$500M	\$500M	> \$500M	\$500M	> \$500M	\$500M	> \$500M
TEV/EBITDA	12.9x	14.7x	10.5x	15.8x	10.3x	14.1x	11.0x	21.2x
Equity/LTM NI	18.1x	18.3x	16.2x	14.7x	16.1x	22.6x	18.7x	23.4x

Distribution of Stocks by YTD % Returns and Industry: Financials

Industry	2014 YTD Stock Price Performance									Count	Total (\$ mil)			
	<-80%	<-60%	<-40%	<-20%	< 0	>20%	>40%	>60%	>80%		80%+	MarCap	Earnings	P/E
Asset Management and Custody Banks					5	35	20				60	\$330,477	\$21,648	15.3x
Consumer Finance					2	10	6				18	\$208,309	\$14,522	14.3x
Diversified Banks						5	4	1			10	\$852,536	\$65,394	13.0x
Diversified Capital Markets									1		1	\$1,149	\$53	21.8x
Diversified Real Estate Activities						3					3	\$4,289	\$428	10.0x
Diversified REITs					3	21	1				25	\$95,988	-\$423	N/M
Healthcare REITs						1	16				17	\$103,399	\$2,622	39.4x
Hotel and Resort REITs					1	14	1				16	\$45,145	\$730	61.9x
Industrial REITs							8				8	\$29,438	-\$47	N/M
Insurance Brokers						4	3	1			8	\$72,640	\$3,495	20.8x
Investment Banking and Brokerage						11	13			1	25	\$217,413	\$14,282	15.2x
Life and Health Insurance					2	10	7				19	\$182,545	\$13,389	13.6x
Mortgage REITs					1	8	22	1			32	\$67,781	\$4,698	14.4x
Multi-line Insurance						5	6				11	\$139,115	\$12,819	10.9x
Multi-Sector Holdings						3	2	1			6	\$324,056	\$19,518	16.6x
Office REITs						5	18				23	\$83,440	\$1,469	56.8x
Other Diversified Financial Services							1				1	\$8,725	\$1,071	8.1x
Property and Casualty Insurance					2	27	16	2			47	\$250,461	\$26,569	9.4x
Real Estate Development					1	2		1			4	\$7,052	-\$14	N/M
Real Estate Operating Companies							2				2	\$5,750	\$116	49.4x
Real Estate Services					1	1	3	3			8	\$27,909	\$1,280	21.8x
Regional Banks						114	46	1			161	\$358,255	\$25,046	14.3x
Reinsurance						5	8				13	\$43,023	\$5,234	8.2x
Residential REITs						4	18				22	\$105,326	\$750	140.4x
Retail REITs						1	6	28			35	\$181,491	\$3,531	51.4x
Specialized Finance						1	8	4	1		14	\$105,698	\$4,329	24.4x
Specialized REITs						1	5	10	1		17	\$165,458	\$4,121	40.2x
Thriffs and Mortgage Finance						2	29	11	3		45	\$61,037	\$3,161	19.3x

NOTES

LTM relative performance chart is based on S&P equity indices as of 4/30/14.

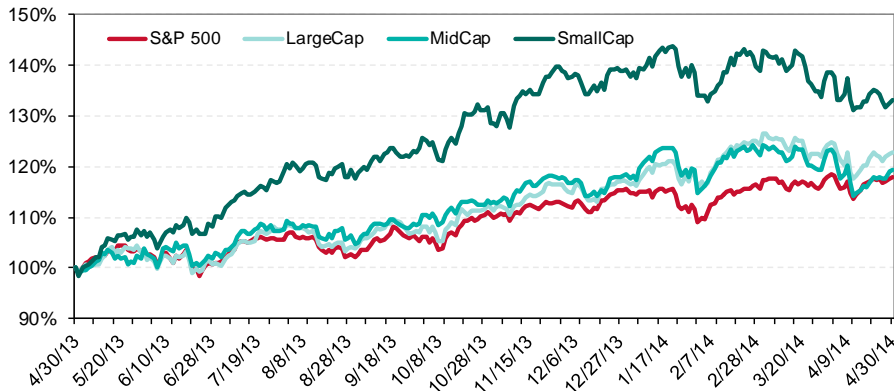
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Healthcare Sector Snapshot

LTM Relative % Performance vs. S&P 500: Healthcare



LTM Transaction Activities: Healthcare

Deal Type	Last Twelve Months Ending April 30th of:							
	2011		2012		2013		2014	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	1,469	\$ 163,689	1,382	\$ 149,699	1,487	\$ 109,593	1,527	\$ 219,613
LBO	129	15,299	98	19,655	115	7,571	90	8,180
Strategic M&A	1,340	148,390	1,284	130,044	1,372	102,022	1,437	211,433
Non-LBO PE	780	\$ 7,077	771	\$ 6,927	848	\$ 7,847	961	\$ 10,774
PIPEs	395	2,208	378	1,633	358	1,917	409	4,988
Venture Capital	1,168	7,245	1,154	6,710	1,038	5,197	1,084	6,095

(M&A only)	2011		2012		2013		2014	
	Deal	Deal	Deal	Deal	Deal	Deal	Deal	Deal
Median Deal Multiples	< \$500M	> \$500M	< \$500M	> \$500M	< \$500M	> \$500M	< \$500M	> \$500M
TEV/EBITDA	11.9x	12.6x	12.2x	13.1x	11.9x	10.5x	7.5x	13.5x
Equity/LTM NI	21.7x	20.7x	16.6x	41.8x	20.3x	24.4x	37.9x	39.8x

Distribution of Stocks by YTD % Returns and Industry: Healthcare

Industry	2014 YTD Stock Price Performance									Count	Total (\$ mil)		
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%		80%+	MarCap	Earnings
Biotechnology		6	20	47	32	16	5	4	4	134	\$568,336	\$6,117	92.9x
Health Care Technology	1	1	4	4	4					14	\$44,494	\$497	89.6x
Healthcare Distributors			4	3	1					8	\$96,981	\$2,885	33.6x
Healthcare Equipment		1	5	30	26	5				67	\$422,472	\$14,930	28.3x
Healthcare Facilities				8	8	3	1			20	\$65,686	\$2,640	24.9x
Healthcare Services			2	12	10	3		1		28	\$119,402	\$1,039	114.9x
Healthcare Supplies			6	11	4	1				22	\$34,686	\$834	41.6x
Life Sciences Tools and Services				10	13	1	1	1	1	27	\$146,479	\$4,253	34.4x
Managed Healthcare			1	4	7					12	\$187,954	\$13,643	13.8x
Pharmaceuticals		1	6	14	17	9	6	2	1	56	\$1,136,593	\$43,741	26.0x

NOTES

LTM relative performance chart is based on S&P equity indices as of 4/30/14.

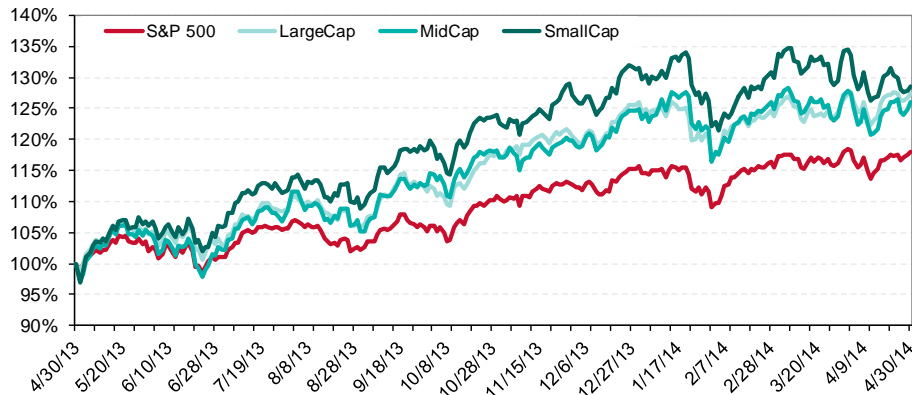
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Industrials Sector Snapshot

LTM Relative % Performance vs. S&P 500: Industrials



LTM Transaction Activities: Industrials

Deal Type	Last Twelve Months Ending April 30th of:							
	2011		2012		2013		2014	
	#	\$(mil)	#	\$(mil)	#	\$(mil)	#	\$(mil)
All M&A	2,296	\$ 82,644	2,458	\$ 96,065	2,667	\$ 85,750	2,532	\$ 94,575
LBO	239	10,031	241	14,755	287	19,025	248	12,633
Strategic M&A	2,057	72,614	2,217	81,311	2,380	66,726	2,284	81,942
Non-LBO PE	391	\$ 6,123	425	\$ 7,648	354	\$ 6,050	401	\$ 4,422
PIPEs	251	1,338	238	2,219	185	1,141	257	1,468
Venture Capital	401	3,137	435	3,074	440	2,054	456	1,893

(M&A only) Median Deal Multiples	2011		2012		2013		2014	
	Deal < \$500M	Deal > \$500M	Deal \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal \$500M	Deal > \$500M
TEV/EBITDA	7.0x	9.0x	8.6x	10.4x	7.5x	9.5x	8.2x	11.0x
Equity/LTM NI	14.1x	24.4x	11.0x	17.9x	12.9x	15.6x	11.8x	23.1x

Distribution of Stocks by YTD % Returns and Industry: Industrials

Industry	2014 YTD Stock Price Performance										Count	Total (\$ mil)		
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+		MarCap	Earnings	P/E
Aerospace and Defense			1	17	19	3					40	\$565,195	\$30,273	18.7x
Agricultural and Farm Machinery				2	3						5	\$44,301	\$4,271	10.4x
Air Freight and Logistics		1		7	4						12	\$158,510	\$6,763	23.4x
Airlines		1	2	2	2	5	1				13	\$116,127	\$12,568	9.2x
Airport Services				1	1						2	\$5,295	\$151	35.0x
Building Products		2	17	7	1						27	\$53,476	\$1,471	36.4x
Commercial Printing				6	1						7	\$9,294	\$293	31.7x
Construction and Engineering			2	13	8	2					25	\$63,477	\$3,189	19.9x
Construction Machinery and Heavy Trucks			1	18	3	2	1				25	\$170,381	\$8,822	19.3x
Diversified Support Services			9	3	2						14	\$33,828	\$1,152	29.4x
Electrical Components and Equipment			1	13	8		1		1		24	\$155,608	\$6,049	25.7x
Environmental and Facilities Services			1	3	11						15	\$64,705	\$1,735	37.3x
Heavy Electrical Equipment				3	2	1	1				7	\$6,622	\$302	21.9x
Human Resource and Employment Services		1	2	9	6						18	\$34,184	\$1,416	24.1x
Industrial Conglomerates			1	2	3						6	\$431,665	\$22,667	19.0x
Industrial Machinery		1	1	2	34	21	2				61	\$254,720	\$11,789	21.6x
Marine			4	5	3	1					13	\$17,620	\$401	44.0x
Marine Ports and Services				1							1	\$433	\$26	16.5x
Office Services and Supplies			1	6	6						13	\$20,080	\$943	21.3x
Railroads				2	3						5	\$161,634	\$8,710	18.6x
Research and Consulting Services					11	8	1		1		21	\$61,827	\$1,846	33.5x
Security and Alarm Services		2			1						3	\$26,410	\$1,123	23.5x
Trading Companies and Distributors			1	10	12	3					26	\$89,116	\$3,709	24.0x
Trucking				6	12	3					21	\$62,477	\$2,152	29.0x

NOTES

LTM relative performance chart is based on S&P equity indices as of 4/30/14.

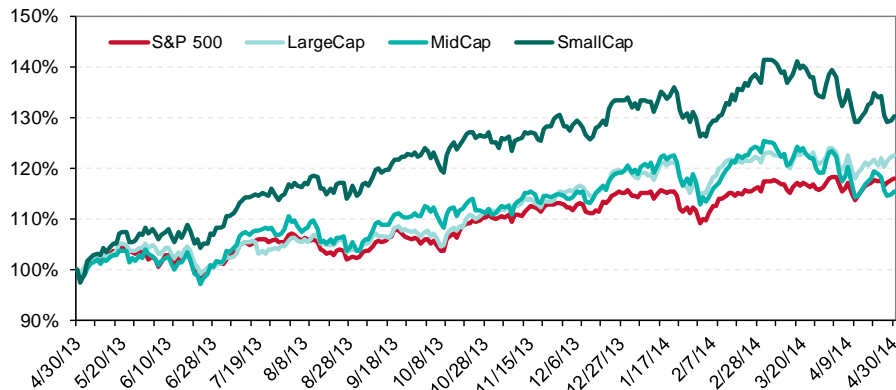
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.....n of 'Earnings' is aggregate LTM net income to common excluding extra items. 'P/E' equals total aggregate industry market capitalization divided by LTM net income.

Information Technology Sector Snapshot

LTM Relative % Performance vs. S&P 500: Information Technology



LTM Transaction Activities: Information Technology

Deal Type	Last Twelve Months Ending April 30th of:							
	2011		2012		2013		2014	
	#	\$(mil)	#	\$(mil)	#	\$(mil)	#	\$(mil)
All M&A	2,296	\$ 127,020	2,252	\$ 93,824	2,307	\$ 95,424	2,288	\$ 129,194
LBO	152	20,861	147	11,291	154	36,261	144	21,744
Strategic M&A	2,144	106,159	2,105	82,532	2,153	59,162	2,144	107,450
Non-LBO PE	978	\$ 14,422	972	\$ 13,002	1123	\$ 9,946	1191	\$ 16,971
PIPEs	440	1,515	356	1,308	309	1,654	375	2,761
Venture Capital	2,690	12,036	3,264	12,848	3,456	13,008	3,471	63,141

(M&A only) Deal Multiples	2011		2012		2013		2014	
	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M
TEV/EBITDA	12.1x	14.5x	10.5x	14.9x	11.3x	13.7x	11.5x	16.6x
Equity/LTM NI	19.2x	40.5x	11.2x	43.0x	19.5x	30.1x	17.6x	29.0x

Distribution of Stocks by YTD % Returns and Industry: Information Technology

Industry	2014 YTD Stock Price Performance								Count	MarCap	Total (\$ mil)	
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%			<80%	80%+
Application Software			16	34	16	4	1		71	\$240,891	\$4,036	59.7x
Communications Equipment			3	20	17	2	2		44	\$361,090	\$17,145	21.1x
Data Processing and Outsourced Services	2	6	23	9	1				41	\$424,300	\$17,997	23.6x
Electronic Components		2	4	7	1				14	\$63,868	\$3,256	19.6x
Electronic Equipment and Instruments		1	12	7	2				22	\$30,578	\$787	38.9x
Electronic Manufacturing Services			8	7	3			1	19	\$55,214	\$2,886	19.1x
Home Entertainment Software			2	6	1	1			10	\$37,035	\$1,717	21.6x
Internet Software and Services	7	31	47	16	2	1	3		107	\$873,806	\$18,141	48.2x
IT Consulting and Other Services		4	11	10	1				26	\$313,190	\$21,980	14.2x
Semiconductor Equipment		2	12	10	2			1	27	\$67,409	\$1,012	66.6x
Semiconductors	1	10	19	31	9	3	2		75	\$432,328	\$21,000	20.6x
Systems Software	5	7	12	6	1	1			32	\$648,146	\$37,068	102.6x
Technology Distributors			4	6	2				12	\$31,830	\$2,068	25.4x
Technology Hardware, Storage and Peripherals	2	1	10	7	3				23	\$718,977	\$52,256	16.4x

NOTES

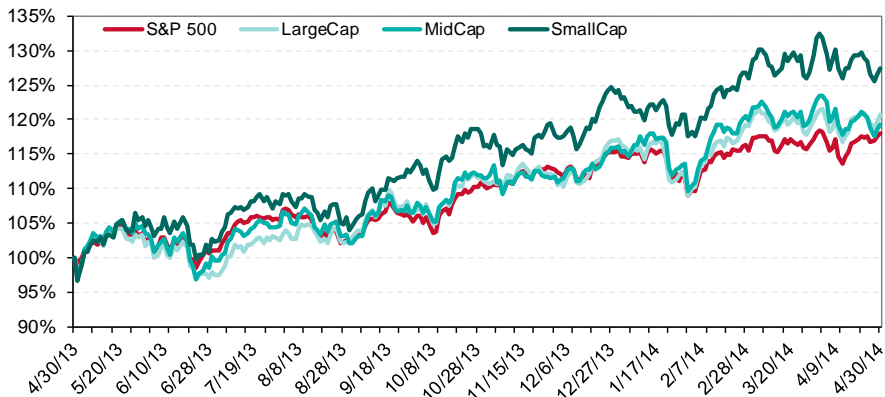
LTM relative performance chart is based on S&P equity indices as of 4/30/14.

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LTM Relative % Performance vs. S&P 500: Materials



LTM Transaction Activities: Materials

Deal Type	Last Twelve Months Ending April 30th of:							
	2011		2012		2013		2014	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	1,320	\$ 70,742	1,238	\$ 54,903	1,091	\$ 58,341	1,032	\$ 53,838
LBO	95	4,077	86	2,884	99	11,702	64	4,114
Strategic M&A	1,225	66,665	1,152	52,019	992	46,639	968	49,724
Non-LBO PE	163	\$ 2,825	163	\$ 4,364	155	\$ 2,188	158	\$ 2,157
PIPEs	2,075	9,209	1,475	6,208	1,415	3,341	1,421	3,680
Venture Capital	200	2,540	168	1,092	113	603	116	280

(M&A only) Median Deal Multiples	2011		2012		2013		2014	
	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M	Deal < \$500M	Deal > \$500M
TEV/EBITDA	6.6x	13.7x	9.5x	9.7x	9.4x	7.9x	6.1x	11.4x
Equity/LTM NI	16.5x	33.6x	14.7x	17.3x	12.3x	17.2x	14.3x	33.8x

Distribution of Stocks by YTD % Returns and Industry: Materials

Industry	2014 YTD Stock Price Performance								Count	MarCap	Total (\$ mil)	
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%			<80%	80%+
Aluminum					1		3		4	\$21,055	-\$2,421	N/M
Commodity Chemicals		2			5		6		13	\$77,725	\$5,076	15.3x
Construction Materials			1		5		4		10	\$38,043	-\$367	N/M
Diversified Chemicals					2		5		7	\$151,270	\$9,753	15.5x
Diversified Metals and Mining			1		3		5	1	10	\$73,094	\$3,840	19.0x
Fertilizers and Agricultural Chemicals			1		1		7	2	11	\$109,677	\$6,069	18.1x
Forest Products					3		1		4	\$4,075	\$186	22.0x
Gold					1		5	1	7	\$46,112	-\$6,178	N/M
Industrial Gases					1		2		3	\$70,851	\$3,171	22.3x
Metal and Glass Containers					3		5		8	\$33,981	\$1,588	21.4x
Paper Packaging					3		5		8	\$43,635	\$2,320	18.8x
Paper Products					7		3		10	\$32,979	\$774	42.6x
Precious Metals and Minerals								1	1	\$1,869	-\$265	N/M
Silver					1		1		2	\$1,859	-\$725	N/M
Specialty Chemicals			1			15		3	1	\$185,571	\$7,863	23.6x
Steel			1		1		17	5	24	\$61,109	-\$1,083	N/M

NOTES

LTM relative performance chart is based on S&P equity indices as of 4/30/14.

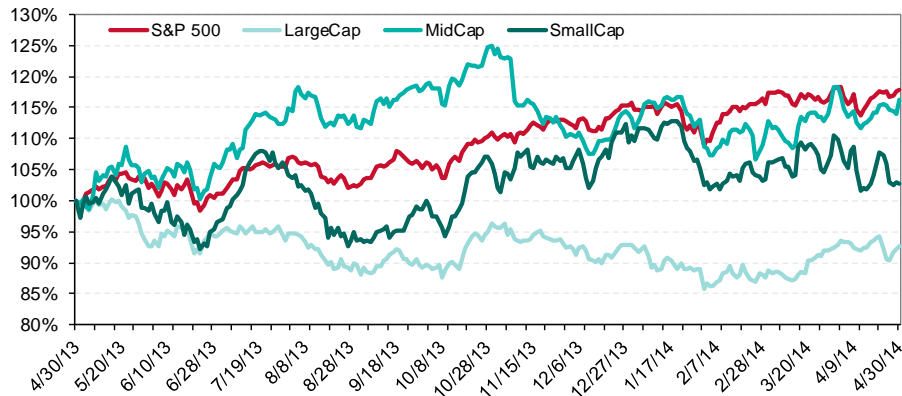
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Telecommunications Sector Snapshot

LTM Relative % Performance vs. S&P 500: Telecommunication Services



LTM Transaction Activities: Telecommunication Services

Deal Type	Last Twelve Months Ending April 30th of:							
	2011		2012		2013		2014	
	#	\$(mil)	#	\$(mil)	#	\$(mil)	#	\$(mil)
All M&A	130	\$ 11,015	100	\$ 12,500	115	\$ 53,469	120	\$ 148,390
LBO	8	637	2		6	950	8	260
Strategic M&A	122	10,378	98	12,500	109	52,519	112	148,130
Non-LBO PE	28	\$ 576	34	\$ 639	20	\$ 405	25	\$ 327
PIPEs	40	110	22	444	17	5,086	15	65
Venture Capital	23	1,804	25	586	27	239	22	142

(M&A only) Median Deal Multiples	2011		2012		2013		2014	
	< \$500M	> \$500M	< \$500M	> \$500M	< \$500M	> \$500M	< \$500M	> \$500M
TEV/EBITDA	6.2x	8.9x	9.0x	6.3x	10.9x	8.9x	7.8x	11.2x
Equity/LTM NI	17.1x	44.5x	6.5x	29.7x	21.5x		15.4x	13.7x

Distribution of Stocks by YTD % Returns and Industry: Telecommunication Services

Industry	2014 YTD Stock Price Performance										Count	Total (\$ mil)		
	<-80%	<-60%	<-40%	<-20%	< 0	<20%	<40%	<60%	<80%	80%+		MarCap	Earnings	P/E
Alternative Carriers				1	3	6	2	2			14	\$25,489	-\$587	N/M
Integrated Telecommunication Services					5	8	1	1			15	\$428,728	\$31,755	13.5x
Wireless Telecommunication Services				3	4	4	1				12	\$117,353	-\$1,864	N/M

NOTES

LTM relative performance chart is based on S&P equity indices as of 4/30/14.

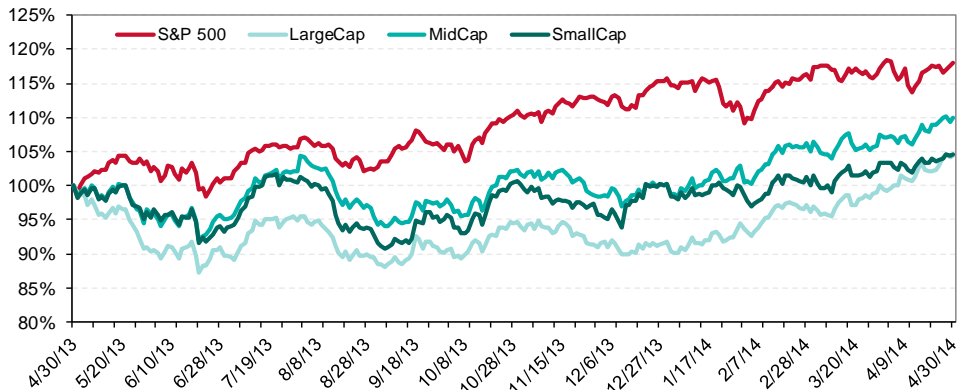
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Utilities Sector Snapshot

LTM Relative % Performance vs. S&P 500: Utilities



LTM Transaction Activities: Utilities

Deal Type	Last Twelve Months Ending April 30th of:							
	2011		2012		2013		2014	
	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)	#	\$ (mil)
All M&A	253	\$76,698	234	\$23,737	235	\$ 20,047	239	\$ 53,678
LBO	16	1,550	14	878	17	1,066	21	2,251
Strategic M&A	237	75,148	220	22,859	218	18,981	218	51,428
Non-LBO PE	58	\$ 4,919	66	\$ 8,683	62	\$ 5,722	61	\$ 6,100
PIPEs	59	423	46	500	34	224	22	446
Venture Capital	80	1,259	77	2,076	52	592	41	978

(M&A only) Median Deal Multiples	2011		2012		2013		2014	
	< \$500M	> \$500M	< \$500M	> \$500M	< \$500M	> \$500M	< \$500M	> \$500M
TEV/EBITDA	9.8x	9.4x	9.4x	12.3x	28.0x	8.5x	14.0x	9.9x
Equity/LTM NI	12.5x	17.5x	12.3x	23.4x	25.5x		0.4x	26.5x

Distribution of Stocks by YTD % Returns and Industry: Utilities

Industry	2014 YTD Stock Price Performance						Count	MarCap	Total (\$ mil)	
	<-80%	<-60%	<-40%	<-20%	< 0	>20%			Earnings	P/E
Electric Utilities	2	27	2	1		32	\$348,358	\$18,287	19.0x	
Gas Utilities	1	17				18	\$53,042	\$2,787	19.0x	
Independent Power Producers and Energy Traders			3	1		4	\$34,256	-\$130	N/M	
Multi-Utilities			19	1		20	\$220,756	\$11,594	19.0x	
Renewable Electricity		2				2	\$2,631	\$66	39.8x	
Water Utilities		4	4			8	\$16,382	\$756	21.7x	

NOTES

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S&P Capital IQ provides detailed information on M&A and financing transactions covering the most active markets in the world. We track all publicly announced mergers, acquisitions, private placements, public offerings, shelf registrations, equity buybacks, and bankruptcies. Transaction data is updated daily from various sources such as regulatory filings, company websites, newsletters, trade publications, and press releases.

Market Observations Covering:

- M&A Activity
- M&A Valuations
- Leveraged Buyouts
- Strategic M&A
- Private Equity Investments
- PIPEs
- Venture Capital

OUR TRANSACTION DATA

S&P Capital IQ covers 1,300,000+ transactions globally.

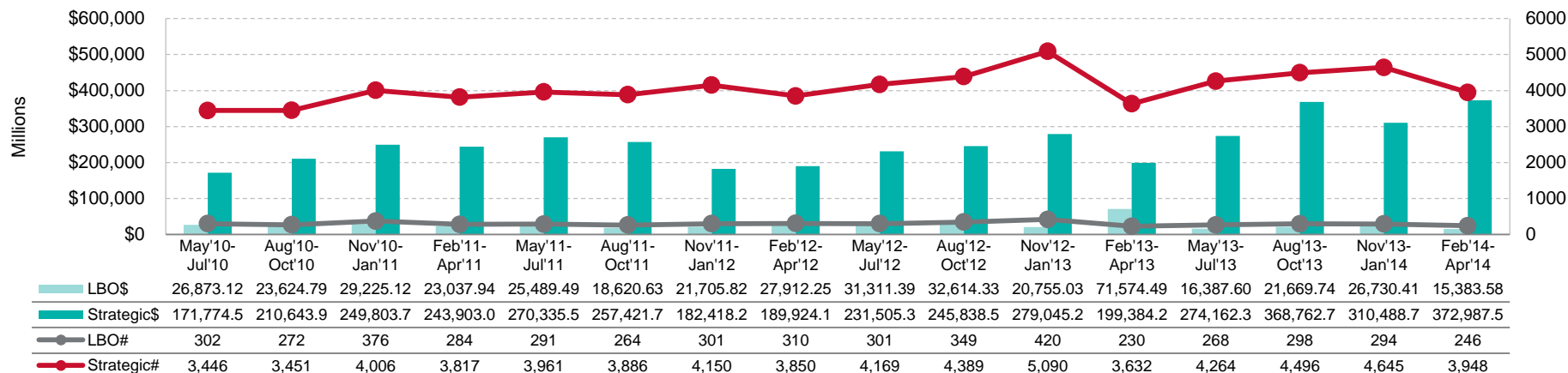
All transaction information is seamlessly integrated in the S&P Capital IQ platform and the S&P Capital IQ Excel Plug-In and can be viewed alongside the most accurate company fundamentals.

To learn more about our transaction coverage, history, and collection process, contact info@capitaliq.com.

M&A Activity by Quarter

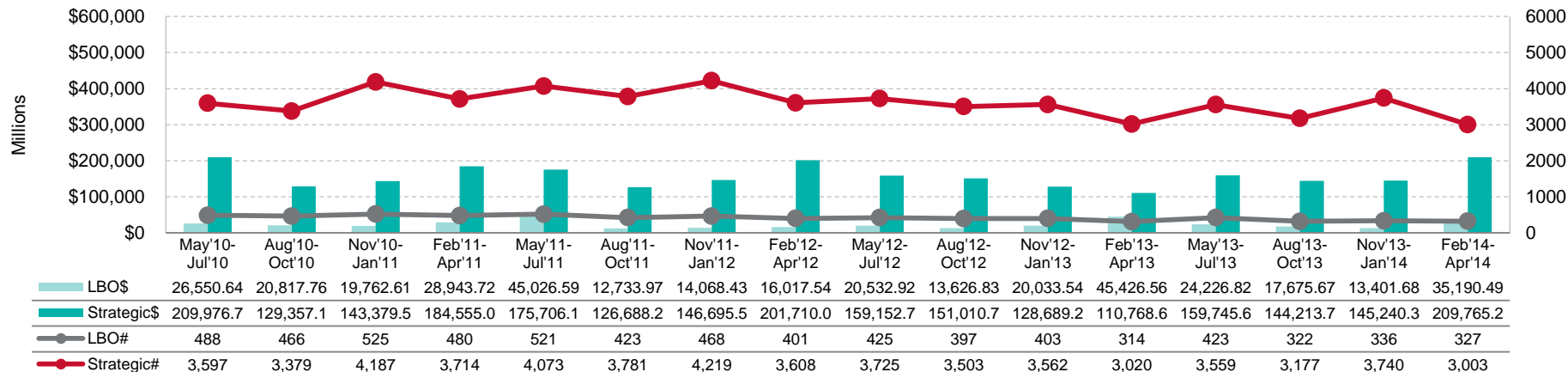
Transactions | North America and Europe

North American Target M&A (Strategic vs. Financial Buyer)



Source: S&P Capital IQ

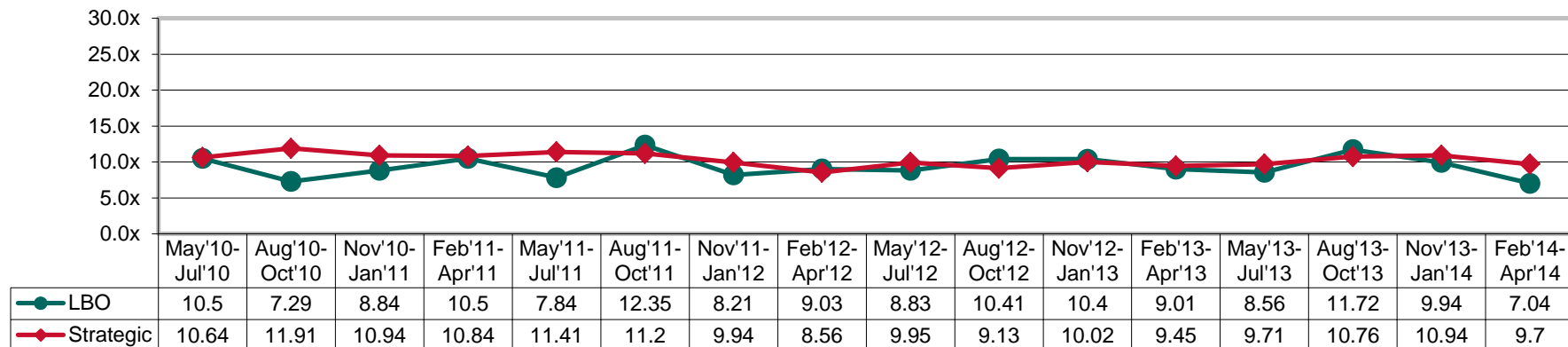
European Target M&A (Strategic vs. Financial Buyer)



Source: S&P Capital IQ

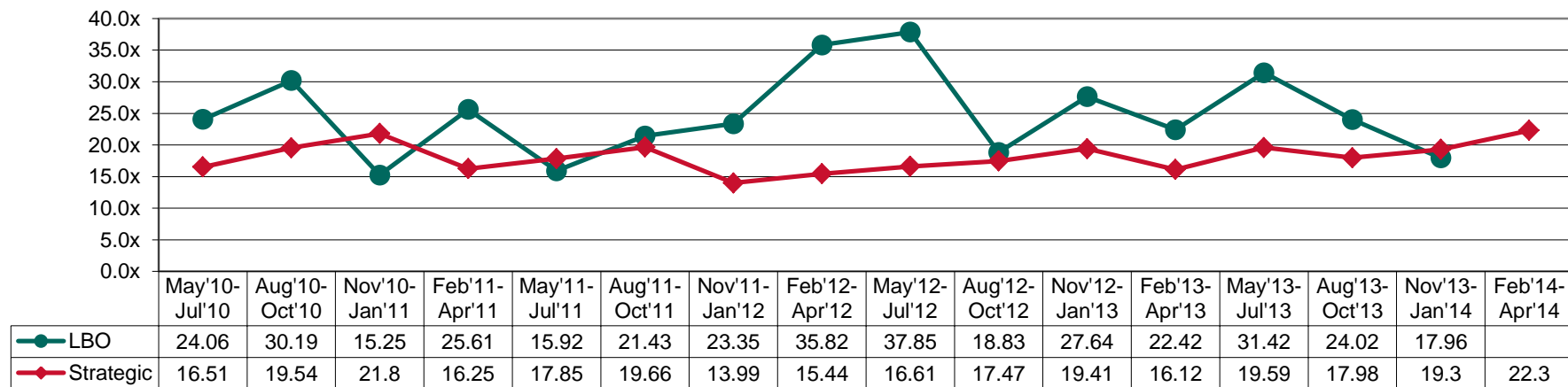
Notes: Figures are based on announce dates and on a trailing three months basis through April 30, 2014. Includes both closed and pending transactions as well as those without transaction values.

Median Enterprise Value / EBITDA



Source: S&P Capital IQ

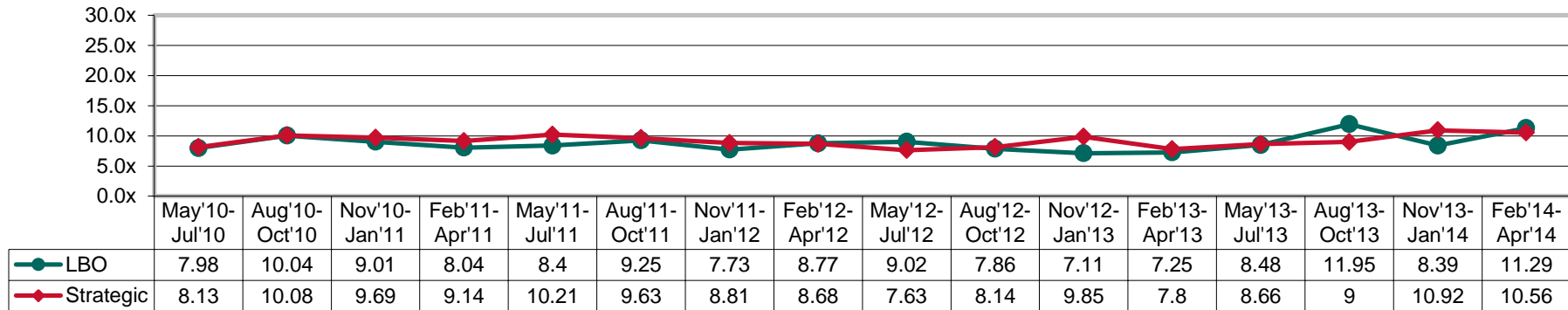
Median Enterprise Value / LTM Net Income



Source: S&P Capital IQ

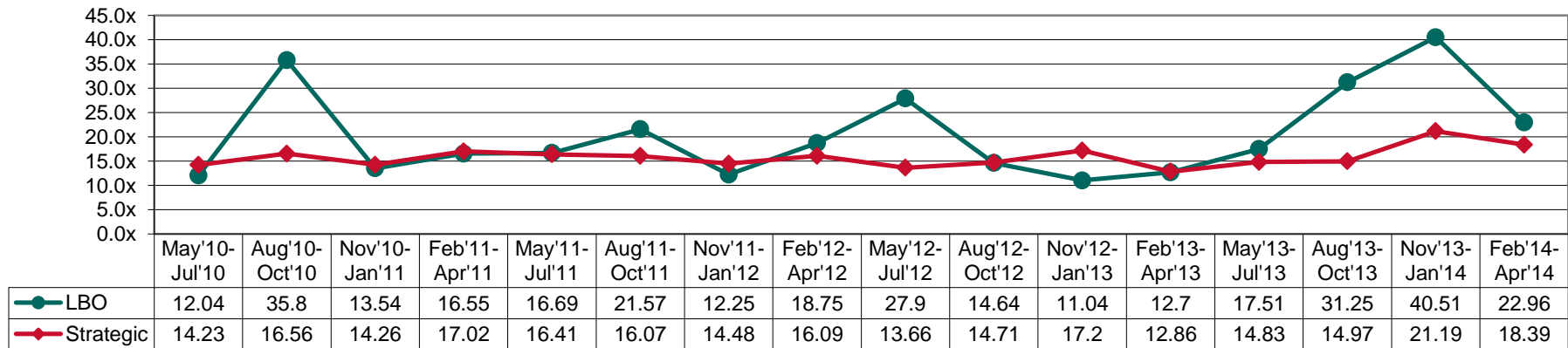
Notes: Includes M&A transactions involving US and Canadian targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based on announce dates on a trailing three months basis through April 30, 2014. Includes both closed and pending transactions.

Median Enterprise Value / EBITDA



Source: S&P Capital IQ

Median Enterprise Value / LTM Net Income



Source: S&P Capital IQ

Notes: Includes M&A transactions involving US and Canadian targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based on announce dates on a trailing three months basis through April 30, 2014. Includes both closed and pending transactions.

M&A Valuation by Sector and Deal Size

North American Targets

Median Enterprise Value / EBITDA

(As of 4/30/14)

Target's Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M
Consumer Discretionary	10.2x	10.4x	13.0x	8.7x	10.7x	8.7x	9.6x	8.7x	11.9x	9.7x
Consumer Staples	12.6x	9.8x	6.4x	8.2x	9.3x	7.7x	8.2x	13.4x	9.3x	10.4x
Energy	7.4x	9.9x	9.8x	14.2x	7.2x	9.1x	6.0x	13.7x	5.6x	5.5x
Financials	11.6x	10.1x	12.9x	14.7x	10.5x	15.8x	10.3x	14.1x	11.0x	21.2x
Healthcare	10.2x	12.2x	11.9x	12.6x	12.2x	13.1x	11.9x	10.5x	7.5x	13.5x
Industrials	6.1x	9.3x	7.0x	9.0x	8.6x	10.4x	7.5x	9.5x	8.2x	11.0x
Information Technology	8.1x	13.2x	12.1x	14.5x	10.5x	14.9x	11.3x	13.7x	11.5x	16.6x
Materials	11.0x	11.6x	6.6x	13.7x	9.5x	9.7x	9.4x	7.9x	6.1x	11.4x
Telecommunication Services	4.7x	7.0x	6.2x	8.9x	9.0x	6.3x	10.9x	8.9x	7.8x	11.2x
Utilities	18.0x	11.0x	9.8x	9.4x	9.4x	12.3x	28.0x	8.5x	14.0x	9.9x

Source: S&P Capital IQ

Median Enterprise Value / LTM Net Income

(As of 4/30/14)

Target's Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M
Consumer Discretionary	12.1x	24.2x	19.3x	17.6x	19.3x	21.3x	16.9x	24.3x	20.2x	22.4x
Consumer Staples	21.1x	15.3x	15.2x	14.2x	18.4x	17.6x	14.0x	81.9x	14.4x	25.8x
Energy	12.3x	26.4x	16.8x	27.0x	12.4x	25.5x	15.5x	28.2x	16.9x	18.3x
Financials	14.3x	16.6x	18.1x	18.3x	16.2x	14.7x	16.1x	22.6x	18.7x	23.4x
Healthcare	18.1x	33.1x	21.7x	20.7x	16.6x	41.8x	20.3x	24.4x	37.9x	39.8x
Industrials	16.8x	20.2x	14.1x	24.4x	11.0x	17.9x	12.9x	15.6x	11.8x	23.1x
Information Technology	15.2x	35.0x	19.2x	40.5x	11.2x	43.0x	19.5x	30.1x	17.6x	29.0x
Materials	12.1x	24.9x	16.5x	33.6x	14.7x	17.3x	12.3x	17.2x	14.3x	33.8x
Telecommunication Services	0.0x	44.9x	17.1x	44.5x	6.5x	29.7x	21.5x	0.0x	15.4x	13.7x
Utilities	124.2x	10.5x	12.5x	17.5x	12.3x	23.4x	25.5x	0.0x	0.4x	26.5x

Source: S&P Capital IQ

Notes: Includes M&A transactions involving US and Canadian targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based on announce dates on a trailing three months basis through April 30, 2014. Includes both closed and pending transactions.

M&A Valuation by Sector and Deal Size

European Targets

Median Enterprise Value / EBITDA

(As of 4/30/14)

Target's Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M
Consumer Discretionary	8.2x	11.5x	7.6x	10.9x	8.1x	9.1x	7.0x	8.6x	9.1x	10.4x
Consumer Staples	7.2x	9.4x	9.0x	10.8x	8.1x	11.0x	9.2x	11.3x	11.1x	11.6x
Energy	5.2x	7.3x	8.8x	9.5x	6.0x	12.6x	4.9x	6.5x	7.7x	7.4x
Financials	13.9x	17.0x	18.4x	21.4x	10.8x	18.4x	13.4x	19.3x	15.0x	15.4x
Healthcare	11.7x	14.0x	9.5x	11.1x	10.6x	14.3x	10.0x	9.5x	11.1x	15.9x
Industrials	7.5x	13.2x	7.7x	10.4x	8.4x	11.4x	6.6x	10.3x	7.9x	9.9x
Information Technology	8.4x	13.8x	10.1x	15.9x	9.5x	11.9x	10.3x	11.9x	8.6x	8.7x
Materials	7.8x	7.5x	6.7x	12.5x	7.1x	9.4x	7.3x	6.7x	8.9x	9.9x
Telecommunication Services	6.0x	4.6x	6.6x	6.8x	5.4x	5.4x	5.2x	5.3x	5.0x	6.0x
Utilities	9.5x	9.6x	7.5x	10.6x	10.5x	9.0x	9.4x	9.4x	11.0x	10.1x

Source: S&P Capital IQ

Median Enterprise Value / LTM Net Income

(As of 4/30/14)

Target's Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M
Consumer Discretionary	13.9x	23.5x	16.6x	70.5x	15.1x	18.6x	17.1x	17.0x	15.3x	28.3x
Consumer Staples	14.8x	21.0x	12.5x	24.2x	15.2x	22.3x	16.3x	37.9x	24.7x	23.0x
Energy	14.6x	20.1x	15.8x	20.5x	12.4x	18.4x	10.5x	7.5x	15.8x	8.2x
Financials	12.9x	20.2x	18.6x	15.0x	12.0x	18.4x	11.2x	11.0x	12.7x	30.5x
Healthcare	22.2x	23.6x	12.6x	30.8x	20.0x	0.0x	23.2x	19.9x	15.2x	26.1x
Industrials	10.3x	18.7x	11.7x	18.0x	12.2x	26.5x	14.4x	20.8x	16.6x	24.5x
Information Technology	12.3x	39.7x	16.5x	20.5x	19.2x	43.6x	14.0x	24.4x	18.8x	75.6x
Materials	16.6x	13.2x	9.9x	20.5x	23.5x	19.4x	14.1x	12.0x	18.2x	34.2x
Telecommunication Services	19.7x	10.4x	14.7x	14.1x	14.9x	11.7x	11.5x	21.3x	11.6x	23.4x
Utilities	12.7x	33.3x	14.3x	20.7x	12.4x	14.0x	9.6x	14.9x	32.7x	19.4x

Source: S&P Capital IQ

Notes: Includes M&A transactions involving US and Canadian targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based on announce dates on a trailing three months basis through April 30, 2014. Includes both closed and pending transactions.

M&A Activity by Sector

Transactions | North America and Europe

North American Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	2,109	\$ 157,569.78	2,440	\$ 78,265.80	2,640	\$ 76,310.39	2,877	\$ 170,766.11	2,783	\$ 192,392.82
Consumer Staples	384	34,940.15	473	35,194.84	517	38,569.42	532	61,871.64	587	88,486.57
Energy	1,030	152,381.80	1,162	143,352.31	1,084	201,232.95	966	177,135.70	982	112,438.54
Financials	2,853	108,476.01	4,115	190,265.23	5,108	246,988.16	6,303	279,631.85	6,369	313,967.15
Healthcare	1,123	64,848.23	1,469	163,688.89	1,382	149,698.56	1,487	109,592.81	1,527	219,613.02
Industrials	1,922	72,480.41	2,296	82,644.22	2,458	96,065.08	2,667	85,750.25	2,532	94,574.67
Information Technology	1,907	63,306.90	2,296	127,019.97	2,252	93,823.66	2,307	95,423.75	2,288	129,194.02
Materials	1,172	33,294.66	1,320	70,741.66	1,238	54,902.58	1,091	58,340.87	1,032	53,837.65
Telecommunication Services	117	42,675.81	130	11,015.24	100	12,500.33	115	53,468.66	120	148,389.72
Utilities	214	35,844.28	253	76,698.15	234	23,736.67	235	20,046.89	239	53,678.48
Grand Total	12,831	\$ 765,818.03	15,954	\$ 978,886.31	17,013	\$ 993,827.80	18,580	\$1,112,028.53	18,459	\$1,406,572.64

Source: S&P Capital IQ

European Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	3,093	\$ 60,942.85	3,470	\$ 81,401.19	3,632	\$ 73,388.38	2,988	\$ 65,691.49	2,608	\$ 76,738.97
Consumer Staples	885	44,962.08	1,085	51,426.92	1,066	30,481.72	953	46,987.26	785	27,421.57
Energy	310	33,664.36	399	66,356.52	424	44,326.56	374	117,167.75	378	44,375.80
Financials	3,205	173,951.65	3,892	182,638.14	4,234	196,680.52	3,815	185,033.22	4,214	207,941.68
Healthcare	707	73,979.69	849	23,045.68	819	45,316.78	748	27,694.77	746	82,882.75
Industrials	3,001	78,373.25	3,535	146,479.09	3,762	104,700.22	3,217	99,829.96	3,014	92,458.78
Information Technology	1,536	21,838.23	1,843	30,707.94	1,858	47,609.71	1,709	31,108.99	1,680	39,999.33
Materials	741	20,162.30	966	53,879.98	928	105,149.74	833	29,101.43	764	78,481.67
Telecommunication Services	200	44,574.76	235	61,234.55	195	35,024.51	149	18,300.64	165	70,902.47
Utilities	497	35,004.83	562	66,173.22	576	55,968.42	563	28,325.79	533	28,256.72
Grand Total	14,175	\$ 587,454.00	16,836	\$ 763,343.23	17,494	\$ 738,646.56	15,349	\$ 649,241.30	14,887	\$ 749,459.74

Source: S&P Capital IQ

Notes: Includes M&A transactions involving US and Canadian targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based on announcement dates on a trailing three months basis through April 30, 2014. Includes both closed and pending transactions.

Leveraged Buyouts by Sector

Transactions | North America and Europe

North American Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	349	\$ 15,725.46	308	\$ 29,252.48	352	\$ 14,642.44	388	\$ 34,029.45	347	\$ 19,199.75
Consumer Staples	61	240.10	73	13,771.92	64	3,311.48	55	31,554.94	62	2,637.33
Energy	44	3,804.07	49	3,402.81	34	20,915.49	43	4,645.51	37	3,032.04
Financials	194	3,982.16	165	3,879.12	128	5,396.26	136	9,450.22	85	6,121.02
Healthcare	75	7,879.27	129	15,299.03	98	19,654.83	115	7,571.28	90	8,180.28
Industrials	192	6,937.38	239	10,030.64	241	14,754.53	287	19,024.69	248	12,633.08
Information Technology	130	4,712.57	152	20,860.94	147	11,291.40	154	36,261.37	144	21,743.84
Materials	67	3,961.87	95	4,076.87	86	2,883.77	99	11,702.28	64	4,113.62
Telecommunication Services	5	1,533.81	8	637.00	2	-	6	950.00	8	259.73
Utilities	11	1,024.16	16	1,550.15	14	878.00	17	1,065.51	21	2,250.65
Grand Total	1,128	\$ 49,800.85	1,234	\$ 102,760.97	1,166	\$ 93,728.19	1,300	\$ 156,255.25	1,106	\$ 80,171.33

Source: S&P Capital IQ

European Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	576	\$ 12,933.82	634	\$ 24,823.66	590	\$ 21,499.81	471	\$ 12,991.36	406	\$ 26,545.11
Consumer Staples	122	5,321.61	144	7,634.79	120	1,417.78	111	14,959.39	99	4,780.82
Energy	8	1,283.48	25	9,287.16	20	3,897.33	27	10,965.57	20	13,703.25
Financials	277	30,816.74	217	8,297.08	184	9,640.55	130	21,416.21	117	7,567.57
Healthcare	74	5,825.82	105	4,395.00	90	2,964.17	86	6,823.07	83	4,436.37
Industrials	418	21,670.24	449	19,756.77	444	18,328.15	395	13,477.84	379	15,597.17
Information Technology	140	3,829.08	168	7,132.97	172	9,304.18	158	7,029.65	140	5,922.70
Materials	94	2,252.27	141	6,145.09	112	3,437.95	105	3,887.39	103	7,057.91
Telecommunication Services	9	1,137.82	18	4,914.60	21	10,547.10	12	4,106.62	9	494.21
Utilities	33	2,243.40	58	3,687.62	60	6,809.50	44	3,962.74	52	4,389.55
Grand Total	1,751	\$ 87,314.27	1,959	\$ 96,074.73	1,813	\$ 87,846.52	1,539	\$ 99,619.85	1,408	\$ 90,494.66

Source: S&P Capital IQ

Notes: Includes M&A transactions involving US and Canadian targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based on announce dates on a trailing three months basis through April 30, 2014. Includes both closed and pending transactions.

Strategic M&A by Sector

Transactions | North America and Europe

North American Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	1,760	\$ 141,844.32	2,132	\$ 49,013.31	2,288	\$ 61,667.95	2,489	\$ 136,736.65	2,436	\$ 173,193.07
Consumer Staples	323	34,700.05	400	21,422.91	453	35,257.94	477	30,316.70	525	85,849.24
Energy	986	148,577.73	1,113	139,949.50	1,050	180,317.46	923	172,490.19	945	109,406.50
Financials	2,659	104,493.85	3,950	186,386.11	4,980	241,591.90	6,167	270,181.62	6,284	307,846.13
Healthcare	1,048	56,968.96	1,340	148,389.86	1,284	130,043.73	1,372	102,021.53	1,437	211,432.74
Industrials	1,730	65,543.04	2,057	72,613.58	2,217	81,310.55	2,380	66,725.56	2,284	81,941.59
Information Technology	1,777	58,594.33	2,144	106,159.04	2,105	82,532.26	2,153	59,162.38	2,144	107,450.18
Materials	1,105	29,332.79	1,225	66,664.79	1,152	52,018.81	992	46,638.59	968	49,724.03
Telecommunication Services	112	41,142.00	122	10,378.24	98	12,500.33	109	52,518.66	112	148,129.99
Utilities	203	34,820.11	237	75,147.99	220	22,858.67	218	18,981.38	218	51,427.84
Grand Total	11,703	\$ 716,017.18	14,720	\$ 876,125.33	15,847	\$ 900,099.62	17,280	\$ 955,773.27	17,353	\$ 1,326,401.32

Source: S&P Capital IQ

European Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	2,010	\$ 2,010.00	2,011	\$ 2,011.00	2,012	\$ 2,012.00	2,013	\$ 2,013.00	2,014	\$ 2,014.00
Consumer Staples	2,517	48,009.02	2,836	56,577.53	3,042	51,888.57	2,517	52,700.12	2,202	50,193.87
Energy	763	39,640.48	941	43,792.14	946	29,063.94	842	32,027.87	686	22,640.75
Financials	302	32,380.88	374	57,069.36	404	40,429.23	347	106,202.18	358	30,672.55
Healthcare	2,928	143,134.91	3,675	174,341.06	4,050	187,039.97	3,685	163,617.02	4,097	200,374.11
Industrials	633	68,153.87	744	18,650.67	729	42,352.61	662	20,871.70	663	78,446.38
Information Technology	2,583	56,703.01	3,086	126,722.32	3,318	86,372.07	2,822	86,352.12	2,635	76,861.61
Materials	1,396	18,009.16	1,675	23,574.97	1,686	38,305.54	1,551	24,079.33	1,540	34,076.63
Telecommunication Services	647	17,910.03	825	47,734.89	816	101,711.79	728	25,214.04	661	71,423.76
Utilities	191	43,436.94	217	56,319.95	174	24,477.42	137	14,194.01	156	70,408.27
Grand Total	464	\$ 32,761.44	504	\$ 62,485.60	516	\$ 49,158.92	519	\$ 24,363.05	481	\$ 23,867.17

Source: S&P Capital IQ

Notes: Includes M&A transactions involving US and Canadian targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based on announce dates on a trailing three months basis through April 30, 2014. Includes both closed and pending transactions.

Private Equity Investments by Sector (Non-Buyouts)

Transactions | North America and Europe

North American Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	237	\$ 7,849.29	377	\$ 8,988.89	372	\$ 6,063.76	367	\$ 6,595.04	393	\$ 8,924.68
Consumer Staples	103	3,210.74	136	2,801.12	104	1,263.48	127	2,011.86	131	1,404.57
Energy	84	5,401.05	155	10,367.45	117	5,561.22	114	5,667.30	91	3,362.74
Financials	398	23,201.87	442	20,222.74	453	12,606.37	304	6,430.84	329	13,852.22
Healthcare	552	10,374.50	780	7,077.31	771	6,927.07	848	7,846.91	961	10,773.71
Industrials	251	5,850.67	391	6,122.83	425	7,648.32	354	6,050.30	401	4,421.61
Information Technology	726	6,228.81	978	14,422.38	972	13,002.21	1,123	9,946.04	1,191	16,970.84
Materials	146	4,438.49	163	2,824.82	163	4,364.13	155	2,188.17	158	2,157.00
Telecommunication Services	29	173.27	28	576.12	34	639.10	20	404.84	25	327.15
Utilities	47	5,411.44	58	4,918.70	66	8,683.38	62	5,722.36	61	6,099.82
Grand Total	2,573	\$ 72,140.13	3,508	\$ 78,322.37	3,477	\$ 66,759.03	3,474	\$ 52,863.67	3,741	\$ 68,294.32

Source: S&P Capital IQ

European Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	238	\$ 4,795.08	248	\$ 4,188.34	229	\$ 4,654.17	230	\$ 8,097.18	212	\$ 3,815.91
Consumer Staples	73	1,535.33	82	2,353.62	81	995.01	83	1,391.69	71	4,195.71
Energy	26	2,728.03	36	5,773.65	34	5,917.99	39	3,172.43	40	5,943.69
Financials	146	63,864.89	244	129,358.67	250	35,716.60	197	37,327.30	125	18,896.35
Healthcare	160	1,729.55	172	2,483.85	180	2,527.30	193	2,357.95	158	2,050.36
Industrials	244	13,687.15	375	25,091.09	389	19,059.08	366	25,222.41	258	188,622.38
Information Technology	240	2,947.95	282	5,332.70	306	4,122.17	334	1,680.44	356	2,521.28
Materials	67	2,926.19	77	4,106.33	96	2,113.31	96	2,954.42	68	961.23
Telecommunication Services	16	1,075.95	16	2,115.37	11	1,037.32	23	712.91	11	628.91
Utilities	28	5,926.48	34	4,187.72	42	5,647.31	28	707.37	30	3,251.76
Grand Total	1,238	\$ 101,216.60	1,566	\$ 184,991.33	1,618	\$ 81,790.27	1,589	\$ 83,624.09	1,329	\$ 230,887.58

Source: S&P Capital IQ

Notes: Includes M&A transactions involving US and Canadian targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based on announce dates on a trailing three months basis through April 30, 2014. Includes both closed and pending transactions.

Private Equity Investments in Public Equity (PIPES) by Sector

Transactions | North America and Europe

North American Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	212	\$ 1,807.56	219	\$ 1,607.21	183	\$ 1,205.24	120	\$ 936.82	209	\$ 2,062.39
Consumer Staples	80	1,210.54	88	424.70	102	1,144.42	104	300.12	139	2,201.43
Energy	653	6,641.17	678	9,371.04	465	7,429.91	386	4,955.33	407	5,323.12
Financials	259	18,777.99	230	5,720.08	258	9,029.72	204	5,658.70	255	4,628.42
Healthcare	382	1,581.84	395	2,208.17	378	1,632.54	358	1,917.15	409	4,988.29
Industrials	242	2,027.63	251	1,337.57	238	2,218.69	185	1,141.06	257	1,468.14
Information Technology	333	1,316.97	440	1,515.30	356	1,307.78	309	1,653.97	375	2,760.66
Materials	2,027	9,257.56	2,075	9,208.71	1,475	6,207.66	1,415	3,340.72	1,421	3,680.46
Telecommunication Services	28	1,806.33	40	109.90	22	444.46	17	5,085.88	15	65.39
Utilities	45	1,924.80	59	423.28	46	500.36	34	223.50	22	446.07
Grand Total	4,261	\$ 46,352.39	4,475	\$ 31,925.96	3,523	\$ 31,120.80	3,132	\$ 25,213.25	3,509	\$ 27,624.37

Source: S&P Capital IQ

European Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	49	\$ 4,989.29	75	\$ 3,651.45	48	\$ 390.10	31	\$ 563.73	36	\$ 1,795.64
Consumer Staples	25	1,588.71	21	623.69	9	178.10	8	3,018.23	11	594.12
Energy	73	2,300.02	76	2,278.90	48	2,482.45	39	2,279.71	24	1,143.57
Financials	96	70,727.56	101	27,157.93	95	22,498.43	77	50,683.65	51	4,619.39
Healthcare	45	1,991.86	50	573.73	48	355.82	40	1,560.74	42	600.15
Industrials	57	2,041.83	63	4,389.52	51	4,531.33	50	1,962.52	55	2,179.12
Information Technology	65	1,976.34	87	594.20	43	889.53	49	5,006.18	49	2,157.88
Materials	43	995.12	61	1,959.32	34	2,628.05	36	1,956.85	46	609.06
Telecommunication Services	9	284.50	10	577.25	7	29.06	5	1,363.21	5	32.54
Utilities	14	4,392.55	21	7,000.69	11	1,697.54	8	644.71	5	1,161.82
Grand Total	476	\$ 91,287.80	565	\$ 48,806.67	394	\$ 35,680.41	343	\$ 69,039.53	324	\$ 14,893.29

Source: S&P Capital IQ

Notes: Includes M&A transactions involving US and Canadian targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based on announce dates on a trailing three months basis through April 30, 2014. Includes both closed and pending transactions.

Venture Capital Investments by Sector

Transactions | North America and Europe

North American Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	496	\$ 2,097.24	693	\$ 4,510.59	736	\$ 5,094.58	763	\$ 3,799.09	838	\$ 3,929.81
Consumer Staples	128	361.72	187	551.22	175	905.33	276	963.47	305	1,145.41
Energy	115	1,493.10	146	4,413.92	152	8,085.97	141	9,226.38	145	10,257.22
Financials	293	3,873.48	329	5,938.60	403	7,019.20	298	4,175.78	327	3,706.03
Healthcare	1,083	7,009.09	1,168	7,244.68	1,154	6,709.98	1,038	5,196.68	1,084	6,095.47
Industrials	384	4,172.63	401	3,137.00	435	3,074.33	440	2,053.91	456	1,893.24
Information Technology	2,076	8,921.24	2,690	12,035.98	3,264	12,847.56	3,456	13,007.51	3,471	63,140.89
Materials	151	760.70	200	2,539.62	168	1,091.66	113	603.10	116	280.37
Telecommunication Services	34	279.37	23	1,804.14	25	585.55	27	239.13	22	142.35
Utilities	74	496.87	80	1,258.88	77	2,075.74	52	591.62	41	977.65
Grand Total	4,834	\$ 29,465.45	5,917	\$ 43,434.62	6,589	\$ 47,489.91	6,604	\$ 39,856.65	6,805	\$ 91,568.43

Source: S&P Capital IQ

European Target

(As of 4/30/14)

Sector	Last Twelve Months Ending April 30th of:									
	2010		2011		2012		2013		2014	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	310	\$ 1,181.53	405	\$ 3,006.32	442	\$ 1,935.78	426	\$ 2,816.91	422	\$ 1,537.23
Consumer Staples	54	157.34	97	597.05	75	439.93	86	322.16	49	313.11
Energy	25	1,625.69	46	1,334.45	35	1,542.11	24	3,483.39	26	670.54
Financials	104	10,720.51	165	8,344.23	168	7,483.02	117	11,310.49	68	3,272.14
Healthcare	319	1,630.41	325	1,507.49	340	1,237.83	291	779.35	255	737.77
Industrials	244	6,949.94	348	14,919.99	359	18,809.59	295	4,900.00	231	1,778.82
Information Technology	769	1,759.39	993	2,951.42	1,208	2,745.24	1,455	2,601.45	1,514	2,231.98
Materials	82	1,068.70	121	2,724.70	99	1,338.16	85	1,458.49	56	1,835.26
Telecommunication Services	21	549.70	20	262.65	18	181.31	13	187.15	15	314.08
Utilities	57	933.62	69	3,745.92	55	2,252.82	42	470.48	27	265.60
Grand Total	1,985	\$ 26,576.83	2,589	\$ 39,394.20	2,799	\$ 37,965.80	2,834	\$ 28,329.88	2,663	\$ 12,956.52

Source: S&P Capital IQ

Notes: Includes M&A transactions involving US and Canadian targets where relevant financials were available to calculate EBITDA and Net Income valuation multiples. Figures are based on announce dates on a trailing three months basis through April 30, 2014. Includes both closed and pending transactions.

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