



# **SIIA Strategic & Financial Investment Conference**

**Presented by Neil Wessan, CIT**  
June 21, 2012



## **I. CIT Overview**

- Corporate Finance

## **II. Market Overview**

- Loan Market Update

## **III. Lending to the Software and Information Sector**

- Lending Parameters for Software Deals
- Recently syndicated transactions

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## I. CIT Overview

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# CIT Provides the Full Spectrum of Middle Market Services

*CIT Group provides financial products and advisory services to a wide variety of middle-market industries*

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- Founded in 1908
  - Publicly traded on NYSE (CIT)
  - \$40Bn of managed assets
  - Market capitalization over \$7.0Bn
  - 3,500+ employees
  - 200+ offices in 50+ countries
  - Fully Chartered Bank (Utah)

## Corporate Finance (Managed Assets: \$7.4Bn)

- Lending and advisory services
- Focus on the middle-market
- Deep financial sponsor relationships

### Financing Services:

- Cash Flow Lending
- Asset-based Lending
- Private Placements
- Real Estate Finance
- Equipment Finance
- Small Business Lending
- Capital Markets

### Advisory Products:

- M&A/Strategic Advisory
- Fairness Opinions
- Equity Private Placements

## Vendor Finance (Managed Assets: \$5.1Bn)

- Lending and leasing services
- Focus on manufacturing and distribution companies
- Global presence in 30 countries
- Specific industry focus:
  - Information Technology
  - Telecommunications
  - Office Products

## Trade Finance (Managed Assets: \$2.4Bn)

- Factoring, receivable and collection and secured financing
- Primarily provides services to companies in the retail supply chain
- Largest factoring company in the U.S.
- Services include:
  - Factoring
  - Credit Protection
  - Outsourcing Services
  - Software License Financing Program
  - Bulk Receivables Purchasing
  - Retail Supply Chain Services
  - Letter of Credit Programs
  - Import/Export Financing

## Transportation Finance (Managed Assets: \$13.5Bn)

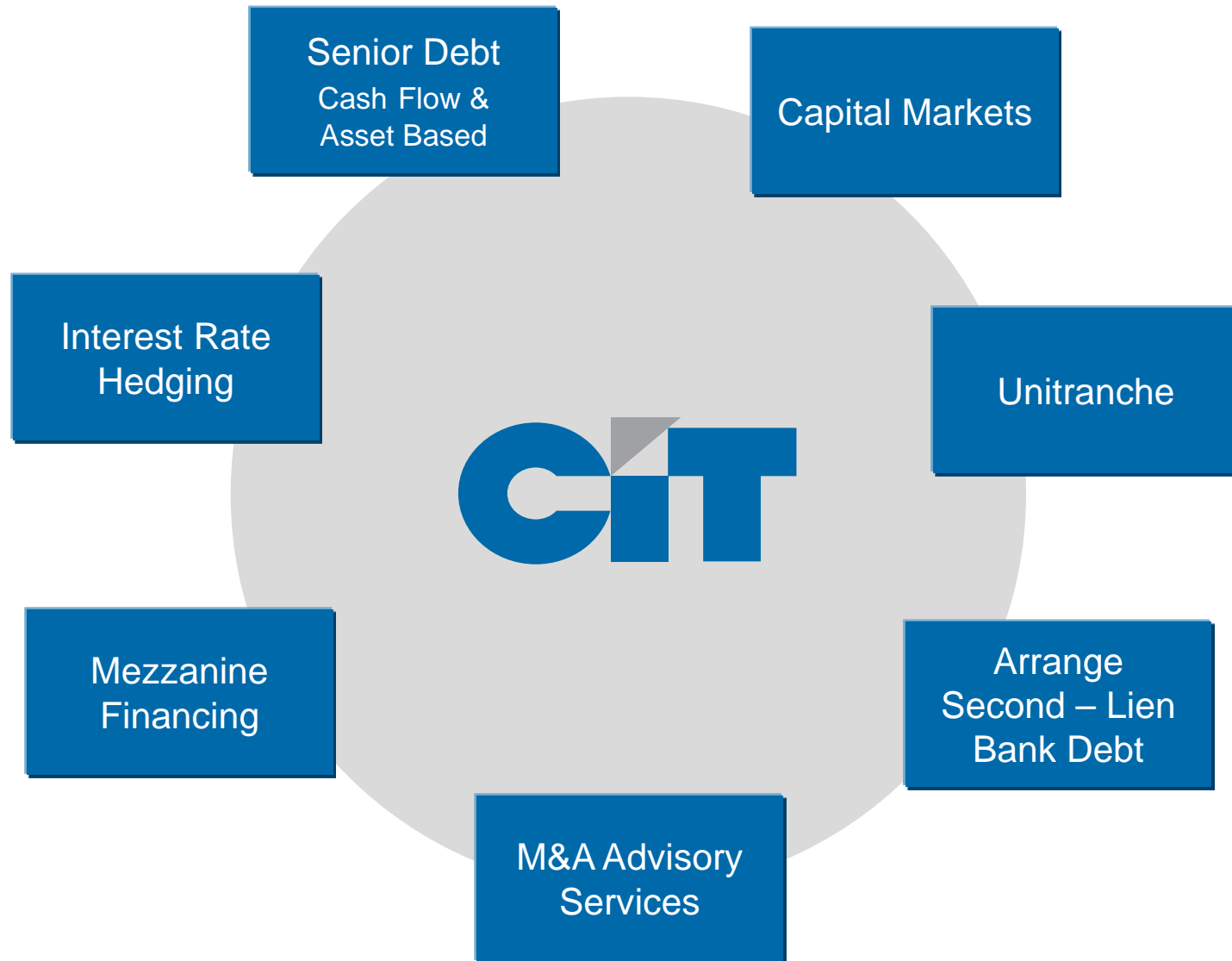
- Lending, leasing and advisory
- Primary focus on aerospace and rail
- Global presence in 50 countries
- Services include:
  - Aerospace:
    - Aircraft (~250)
    - Business Aircraft financing
    - \$7Bn leasing portfolio
  - Rail:
    - Locomotives (~400)
    - Rail Cars (100,000+)
    - Surface Transportation

Note: Managed assets data as of 3/31/2012; total managed assets exclude consumer segment with portfolio assets of \$5.7B.



## Corporate Finance Capabilities

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**Industry Knowledge + Product Expertise + Deep Experience = Superior Execution**



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## II. Market Overview

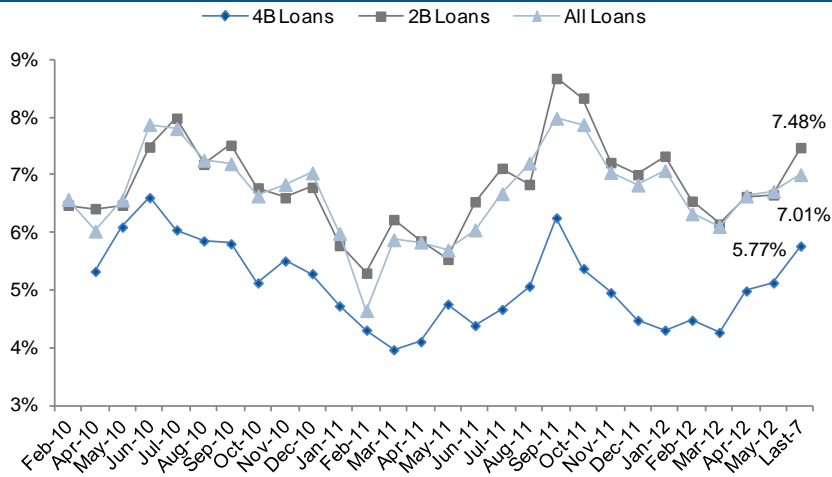
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# Current State of the Leveraged Loan Market

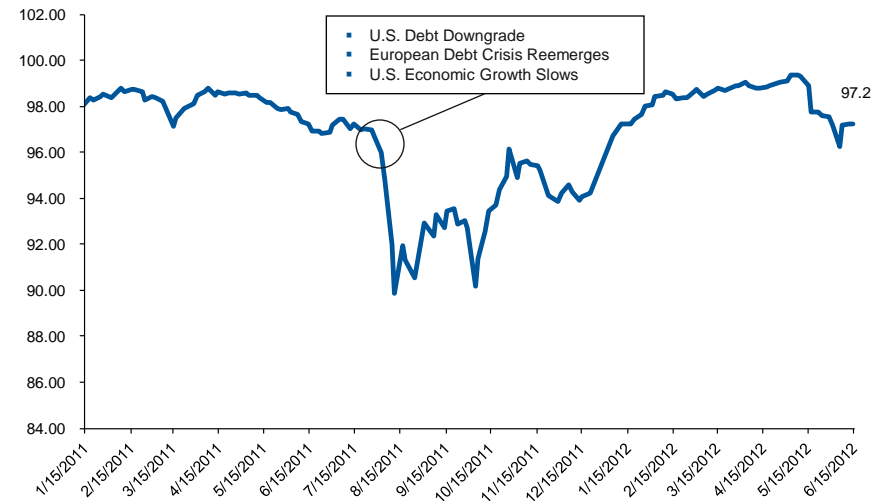
## Commentary

- In 2012, the leveraged loan market has experienced generally favorable conditions, with improving sentiment pushing pricing down
- In the last month, market tone has softened amid heightened macro-economic concerns
- The loan market remains open for new business, though issuers have lost some leverage to push aggressive structures and pricing
- In the middle market, deals are pricing with an all-in yield of ~7% to 8%, with pricing being comprised of several components:
  - LIBOR spread (typically in the L+400-600 range)
  - LIBOR floor (typically in the 1.25% - 1.75% range)
  - Original issue discount (typically in the 99-98 range)
- Leverage for middle market deals has been pushed up to 3.5x on a senior basis and 5.0x on a total basis

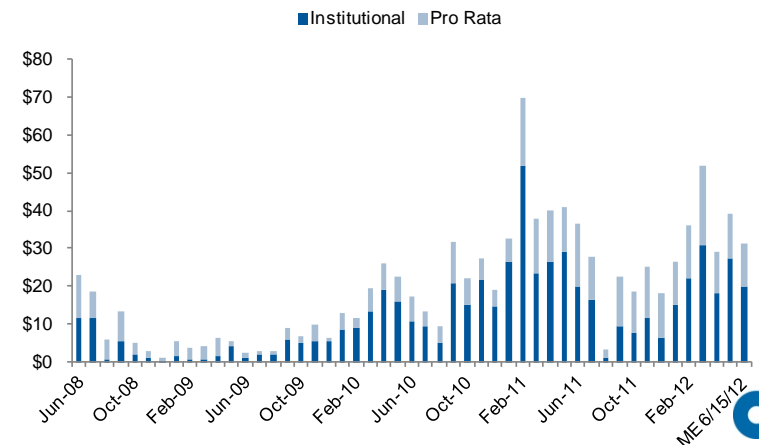
## Average New-Issue Pricing



## Selected Large Institutional Flow Loans



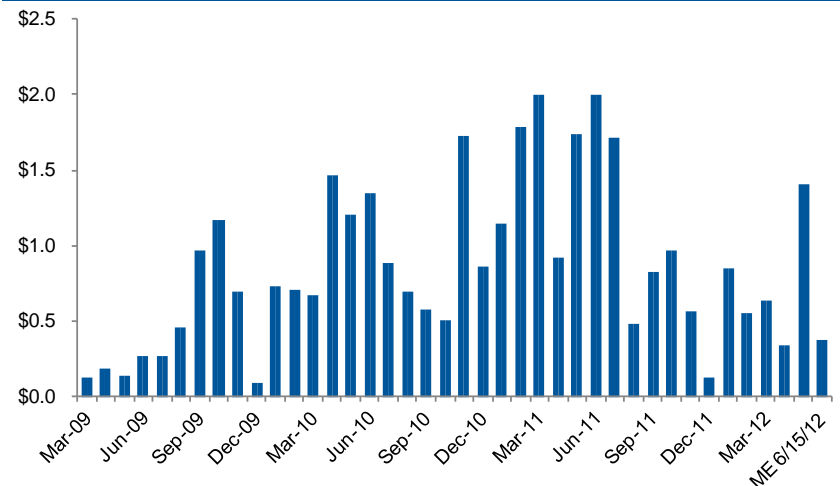
## Monthly New Issue Volume (\$ in billions)



## Middle Market Landscape

- The middle market has exhibited remarkable stability, particularly amid the volatility in the broader capital markets over the last year. Factors:
  - Middle market is primarily comprised of banks, which have relatively stable funding sources
  - Cost of deposit funding not highly correlated to changes in the capital markets
  - Bank balance sheets are healthier than they have been in years
- In certain cases, middle market deals have priced at a significant discount to the broader market
- YTD 2012, supply / demand gap in the middle market has become particularly pronounced due to a declining trajectory in syndicated loan volume:
  - M&A activity is light
  - Unitranche product gaining share
  - Transactions increasingly getting clubbed by sponsors

**Middle Market Leveraged Loan Market (\$ in billions)**





## Market Outlook

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- The broader loan market will likely remain volatile throughout the remainder of the year
  - Overall sentiment and tone likely to be tied to headlines coming out of Europe, Asia, and the Middle East
- Middle market to remain a haven of relative stability
- Expected pickup in M&A activity in the latter part of the year due to:
  - Uncertainty over future treatment of capital gains taxes
  - Healthy M&A backlog

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### III. Lending to the Software and Information Sector

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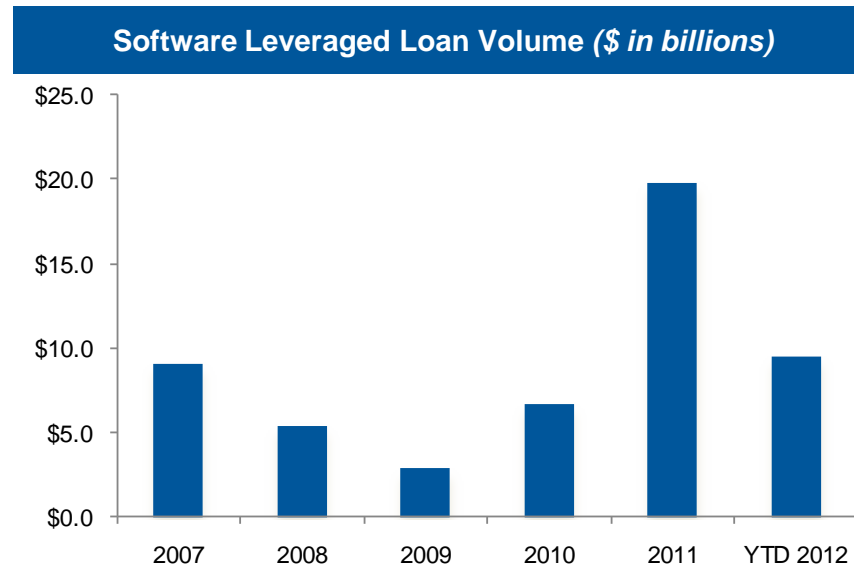
## Lending Themes in the Software and Information Sector

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- CIT has been a lender to the Software Services & Information sector since 2006, leading and participating in more than \$1.5 billion in transactions
- Software and Information businesses are well suited for leveraged loans
  - Revenue models are highly recurring, supported by subscription and maintenance contracts
  - Mission critical systems and data
  - Sticky product – significant integration with other systems and / or customer facing
  - Customer retention and churn metrics are highly predictable
  - High quality and diverse installed base of customers
  - Low capital expenditures
  - Favorable working capital dynamics
  - High free cash flow generation enables rapid de-leveraging via scheduled repayments and EBITDA growth
- The Software sector in general proved to be a resilient business model through the business cycle
- Active M&A market – with both financial sponsors and strategics vying to expand addressable market (new verticals or customers) or products features and capabilities – has supported strong valuation comps (10-12x)
- Recent deal flow reflects trend towards higher mobility, storage, and security requirements

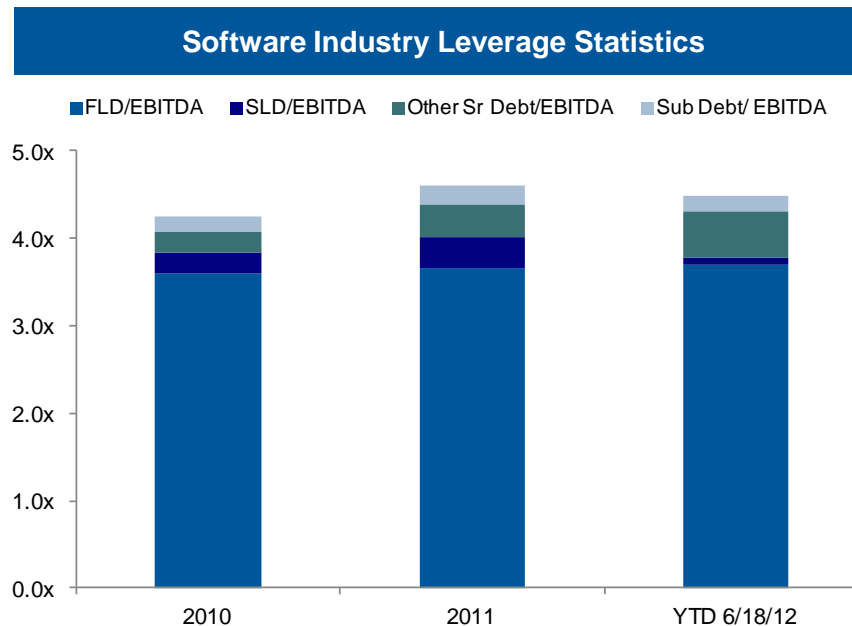
## Lending Themes in the Software and Information Sector

- Companies in the Software Services, Information Services and Digital Content & Media sectors have successfully tapped the Leveraged Loan Market for M&A, general growth, and dividend financing over the last three years
- Over the past five years, ~\$50 billion has been raised in the Leveraged Loan Market to support software and information transactions



# Lending Themes in the Software and Information Sector

- Since 2011, first-lien / total leverage has stayed in the 3.7x / 4.5x range, up from 3.6x / 4.2x in 2010:



- Smaller EBITDA (<\$10-15 million) companies are able to execute successfully in the leveraged loan market, albeit at lower leverage multiples, more equity, lower LTV, and priced somewhat at a premium. There is a limited universe of lenders who can serve the market.

# Profile of Recently Completed Deals: SS&C Technologies

## Deal Snapshot: SS&C Technologies

### Company Overview:

- SS&C Technologies ("SS&C") provides software products and services to financial services providers, such as alternative asset managers and insurance and pension funds
  - SS&C's software products are comprised of management/accounting, trading, treasury operations, financial modeling, etc.
  - These products allow clients to automate and integrate front-, middle-, and back-office functions
- Issuer is rated BB-/Ba3

### Facility Overview:

- Deal is comprised of:
  - \$100 million RC – L+275
  - \$325 million TLA – L+275
  - \$800 million TLB – L+400 with 1.0% floor (AIY:5.30%)
  - \$142 million 364-day Bridge Loan – L+275
- Leverage is 4.1x (net)
- Proceeds back the purchase of U.K. based hedge fund administrator, GlobeOp Financial Services, and the refinancing of existing debt

# Profile of Recently Completed Deals: LANDesk Software

## Deal Snapshot: LANDesk Software

### Company Overview:

- ✓ LANDesk Software (“LANDesk”) offers system lifecycle and endpoint security management
  - LANDesk products include cloud-enabled management solutions
- ✓ LANDesk is a portfolio company of Thoma Bravo
- ✓ Issuer is rated B2

### Facility Overview:

- ✓ Deal is comprised of:
  - \$15 million RC
  - \$205 million TL
  - Pricing : L+575 with a 1.25% floor (AIY:7.65%)
- ✓ Leverage is 4x (all senior)
- ✓ Proceeds were used to purchase Wavelink Corporation and refinance existing senior debt