

High Yield Recap

Sector Focus

30 October 2013

Citi High Yield Research

Credit

North America

Sector Focus

3Q Earnings Takeaways — Dana Credit Intact; Neutral on Goodyear & TRW

North America | Auto Parts & Equipment

Dana Holding Corporation (DAN) — End-Markets Weigh on Results; Credit Intact
Goodyear Tire (GT) — EBITDA Beat Offsets Sluggish 3Q Volumes
TRW Automotive (TRW) — 3Q Meets Expectations; Share Buybacks Expanded
See note for details.

Manish A. Somaiya | Ishan Singh

Arch Coal (ACI) — EBITDA Miss, but Cash Generation Good & Cost Guidance Lowered

North America | Coal

Arch reported adjusted EBITDA of \$69mm (\$193.4mm with discontinued ops) short of our \$108mm estimate and consensus of \$109mm. This was down from \$232mm in 3Q12. Despite the EBITDA miss, we view the post as largely neutral given solid cash flow and reduced cash cost guidance.

Richard C Yu

Cloud Peak (CLD) — EBITDA Just Short; Reducing 2013 Guidance

North America | Coal

We continue to have a Neutral recommendation on the Senior Notes based on valuation. CLD has a strong balance sheet and low cost operations in the PRB but with the bonds trading in the 4% area and fundamentals still challenged, we see limited upside from current levels

Richard C Yu

Cumulus Media (CMLS) — M&A in 4Q, Tailwinds in 2014

North America | Advertising

Citi's Take – Cumulus 3Q results were in-line with their pre-announcement with \$281 million sales and \$99 million EBITDA. Management prepaid \$50 million term loans in the quarter. In 4Q, management guided to higher than consensus EBITDA. In 4Q, core growth is forecast at 4% which excludes \$15 million 4Q 2012 political revenue. We believe Cumulus continues to work to the benefit of credit investors and the credit reflects the near-term upside.

David Phipps

First Data Corp. (FDC) — “Self Help” Story Continues in 3Q

North America | Data Processing & Outsourced Services

FDC 3Q results slightly exceeded our expectations on adj. EBITDA, as the

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Financial Services (FS) and International segments outperformed on cost efficiencies. Specifically, FS segment margin expanded 390bp vs. 3Q12 and highest level since 2Q09, whereas International segment margin rose 120bp y-o-y. While adjusted revenue growth was modest, First Data continues to show realized operational improvements along with balance sheet flexibility. We re-iterate our Overweight (OW) on FDC.

Manish A. Somaiya | Ishan Singh

Huntsman (HUN) 3Q13 Post Call Recap — Solid Quarter Despite Weak Liquid Epoxy Resin Market

North America | Diversified Chemicals

Headline results were broadly ahead of our estimates as well as street consensus on strong results from HUN's Performance Products and Advanced Materials segments. The impact from the weak LER market was limited given that business is a relatively small part of HUN. Separately we remain concerned about the increased risk associated with HUN's plan to acquire ROC's assets & plan to integrate ROC's assets into their own TiO2 segment and subsequently IPO the combined business.

James P Finnerty | Jesse Hou

Intelsat S.A. (INTEL) — 2013 3Q Preview

North America | Satellite Communications

Citi's Take — Intelsat is one of a few industry leaders available to high yield investors. We expect the company to benefit from rising demand for pay-TV, broadband and mobile communications. In addition, we expect the company's reduced interest expense to translate into incremental growth capital expenditures that could drive sales and cash flow growth. Intelsat's business is characterized by strong predictability and moderate sales growth which makes us comfortable with full leverage.

David Phipps

Level 3 Communications (LVL) — 2013 3Q Preview

North America | Telecommunications Operators

Citi's Take — Level 3 was active in the term loan market completing 3 transactions which lowered interest expense extended maturities. We think the company could turn its attention to its \$640 million 10% bonds which become callable February 1, 2014. We believe LVL remains a "show-me story" where investors expect the company to generate organic growth and free cash flow. Both areas are targets by management, and the new CEO's strong operational background has raised the chances of success.

David Phipps

Olin (OLN) 3Q13 Post Call Recap — Good Cash Flow Quarter; Lowers FY EBITDA Guidance

North America | Specialty Chemicals

OLN's cash increased by \$142mm QoQ (see Figure 2) and generated the highest quarterly EBITDA in the company's history. This was driven by strong volumes and lower costs in the Winchester business compared to relatively weak performance in Distribution and Chlor-Alkali. OLN lowered FY EBITDA guidance as a result of weaker Chlorine demand and caustic soda pricing.

James P Finnerty | Jesse Hou

US Steel (X) — 3Q Beat, 4Q Guidance Weak

North America | Steel

US Steel reported better than expected 3Q results with EBITDA of \$229mm coming in above our \$142 mm estimate and consensus of \$146mm. However,

4Q guidance was weak, with the company guiding to sequentially lower income from operations vs our expectations of an increase.

[Richard C Yu](#)

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Appendix A-1

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