

August 20 – August 27

This report presents our most-read research reports over the last 7 days, ordered based on readership.

Just Call Me Lady Luck — Initiating Coverage on HY Gaming Sector North America | Gaming

In this report we introduce coverage of the HY Gaming sector. We offer detailed gaming industry trends and updates, discuss relative value across the sector, provide top trade ideas and offer detailed company overviews with financial models and estimates for each BYD, ISLE, MGM, MNTG, PNK, PENN, STACAS, TRIBAL, and WYNN. We introduce a Marketweight view on the HY Gaming Sector given our expectation for stable credit fundamentals in FY14 and improving economic indicators, offset by challenging regional industry trends and tight sector yields. We recommend investors focus on bottoms-up security selection, owning bonds that have compression opportunity or offer the best risk adjusted return potential with at or above-market yields.

Jenna Giannelli

High Yield & Leveraged Loan — Relative Value North America | Trading Companies

In the High Yield & Leveraged Loan Relative Value publication we provide a snapshot of the high yield market, our top credit views, and a relative value analysis covering high yield, leveraged loans, CDS, and converts.

Manish A. Somaiya | James P Finnerty | David Phipps | Murali Ganti | Jenna Giannelli

Accudyne Industries (SILIA) — Initiating Coverage: Waiting for Green Shoots

North America | Machinery

Initiating Coverage with Overweight — We initiate coverage of Accudyne with an Overweight (OW). We rate the company's 7.75% senior notes a Neutral and view the 2019 term loan as attractive on a relative value basis. At a YTW of 6.01%, the bonds are still below their April highs, however, they have recovered most of the losses from the July market sell-off. Meanwhile, the bank debt continues to trade below par (currently offered at 98.875). At current levels, we believe the swap-adjusted yield of just over 5% is reasonable for leverage of 4.6x (2x below the notes). Moreover, we expect deleveraging from free cash flow through the secured structure, while bondholders await upside from a recovery in end-markets.

Manish A. Somaiya | Ishan Singh | Sapan Shah

Hertz Global Holdings (HTZ) — Still on the Sidelines; Not Catching a Falling Knife

North America | Machinery

What's New? Following its 8-K filing yesterday that discloses further operational

29 August 2014

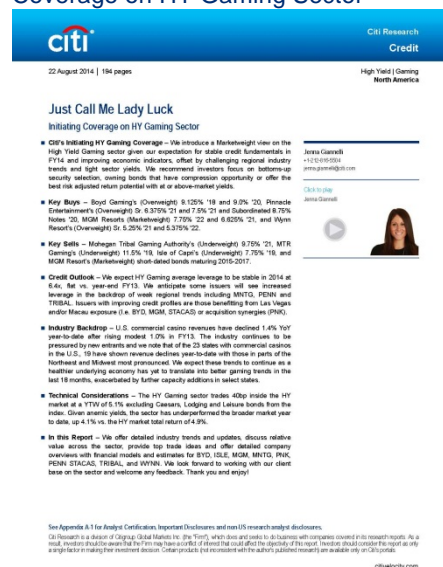
Citi High Yield Research

Credit

North America

This Week's Most Read Report

Just Call Me Lady Luck — Initiating Coverage on HY Gaming Sector



Just Call Me Lady Luck
Initiating Coverage on HY Gaming Sector

- **Citi's Initiating HY Gaming Coverage** — We introduce a Marketweight view on the High Yield Gaming sector given our expectation for stable credit fundamentals in FY14 and improving economic indicators, offset by challenging regional industry trends and tight sector yields. We recommend investors focus on bottoms-up security selection, owning bonds that have compression opportunity or offer the best risk adjusted return potential with at or above-market yields.
- **Key Buys** — Boyd Gaming's (Overweight) 8.125% '18 and 9.0% '20, Rhineland Entertainment's (Overweight) 5.6375% '21 and 7.0% '21 and Subordinated 8.75% Notes, MGM Resorts (Marketweight) 7.75% '22 and 8.875% '21, and Wynn Resorts (Overweight) 5.25% '21 and 5.375% '22.
- **Key Sells** — Motagen Tribal Gaming Authority's (Underweight) 8.75% '21, MTR Gaming's (Underweight) 11.0% '18, Isle of Capri's (Underweight) 7.75% '18, and MGM Resorts' (Marketweight) short-dated bonds maturing 2015-2017.
- **Credit Outlook** — We expect HY Gaming average leverage to be stable in 2014 at 4.6x, flat vs. year-end FY13. We anticipate some issuers will see increased leverage in the backdrop of weak regional trends including MNTG, PENN and TRIBAL. Issuers with improving credit profiles are those benefiting from Las Vegas and/or Macau exposure (i.e. BYD, MGM, STACAS) or acquisition synergies (PNK).
- **Industry Backdrop** — U.S. commercial casino revenues have declined 1.4% YoY year-to-date after rising modest 1.2% a FY13. The industry continues to be pressured by new entrants and we note that of the 23 states with commercial casinos in the U.S., 19 have shown revenue decline year-to-date with those in parts of the Northeast and Midwest most pronounced. We expect these trends to continue as a healthier underlying economy has yet to translate into better gaming trends in the last 18 months, exacerbated by further capacity additions in select states.
- **Technical Considerations** — The HY Gaming sector trades 40p inside the HY market at a YTW of 5.1% excluding Cessars, Lending and Leisure bonds from the Index. Given average yields, the sector has underperformed the broader market year to date, up 4.1% vs. the HY market total return of 4.9%.
- **In this Report** — We offer detailed industry trends and updates, discuss relative value across the sector, provide top trade ideas and offer detailed company overviews with financial models and estimates for BYD, ISLE, MGM, MNTG, PNK, PENN, STACAS, TRIBAL, and WYNN. We look forward to working with our clients base on the sector and welcome any feedback. Thank you and enjoy!

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.
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Recent Editions of Citi's Most Read - High Yield

July 30 – August 5
August 6 – August 12
August 13 – August 19

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issues, Hertz CDS is opening up 35 wider (270bp offer) and longer dated notes are quoted lower by at least 2pts; the company's share are down ~12% pre-market. We note that factors affecting Hertz are mostly company specific, and therefore should not have follow-through impact on Avis cash or CDS. We continue to remain Neutral on Hertz senior notes, with a bias towards the shorter-dated notes.

In light of the lack of clarity on the timing of resolving these issues and normalized underlying financial performance, we find it difficult to view the sell-off as an entry point, especially in the longer dated notes.

Manish A. Somaiya | Ishan Singh | Sapan Shah

High Yield Coal — 2Q Earnings Recap

North America | Coal

2Q results for coal producers were generally better than our muted expectations. Compared to historical levels, EBITDA generation was still extremely weak as both met and thermal coal prices remained low. Several producers cut met production because of the low prices. Earlier this year, many thought PRB prices would rise because inventories had finally fallen below average levels, but rail service issues negatively impacted shipments during 2Q, delaying any price improvement. Companies continued to focus on controlling what they could, by cutting costs and reducing capex spending.

Richard C Yu | Michael Quinn

Algeco Scotsman Global Finance (ALGSCO) — Getting Paid to Wait; Upgrading 10.75% Senior Nts to Buy

North America | Diversified Industrials

We are upgrading our rating on the 10.75% senior unsecured notes to Buy (1) from Neutral (2) following better-than-expected 2Q numbers, management's increased confidence regarding 2H14, and attractive valuation (260bp pick-up vs. Citi's CCC Index). Recall, the unsecured notes trade ~10 points below peak levels (April 2014); we view the downside as limited at current levels absent a broad market correction. We concurrently re-affirm our Buy rating on 8.5% secured notes owing to 200bp pick-up vs. the Citi B-rated index, adequate asset coverage, and lack of meaningful recovery post July sell-off (bonds continue to trade 6 points below April 2014 highs). Following the earnings call, we have tweaked our 2014 forecasts to reflect better than previously expected 2H top-line & margin performance across EMEA, Americas, & APAC.

Manish A. Somaiya | Ishan Singh | Sapan Shah

Elizabeth Arden (RDEN) — 4Q Whiff Leaves Us Sniffing for More Yield

North America | Household/Personal Care Products

Despite the significant ~\$7 drop in bond levels yesterday, we are downgrading RDEN's 7.375s Sr Notes to Sell from Neutral as we think bonds could see an additional \$5-7 correction to reach fair value (9-10% YTW area).

Kevin Ziets | Kelly Hallinan

High Yield — Opportunities Post July Sell-Off

North America | Trading Companies

Citi's High Yield Market Index lost 1.36% in July, the first negative return of 2014 and the worst month since June 2013. Performance was fairly uniform across the quality spectrum. With further outflows continuing in the new week, we have seen bond prices for quality names decline significantly since the start of July. Inside, we outline recommendations based on investment themes including crossover, yield-to-call, and absolute buys across our sectors.

Manish A. Somaiya | Jenna Giannelli | David Phipps | Murali Ganti | James P Finnerty

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Appendix A-1

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Citi Research Fixed Income Ratings Distribution

<i>Data current as of 30 Jun 2014</i>	<i>Rating</i>		
	<i>Buy</i>	<i>Hold</i>	<i>Sell</i>
Citi Research US High Yield Issuer Coverage	31%	58%	10%
<i>% of companies in each rating category that are investment banking clients</i>	70%	66%	43%
Citi Research US High Yield Issue Coverage	24%	63%	12%
<i>% of companies in each rating category that are investment banking clients</i>	78%	78%	59%

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Guide to Citi Research High Yield Issue Ratings:

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