

High Yield Recap

Sector Focus

6 February 2014

Sector Focus

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 | Jenna Giannelli | Richard C Yu

Citi High Yield Research

Credit

North America

Level 3 Communications (LVL3) — 4Q 2013: Beat and In-Line Guide, 2014 FCF Positive Goal

North America | Telecommunications Operators

Citi's Take — Level 3 remains in creditor friendly mode with improving EBITDA, a focus on leverage and a mandate to generate positive free cash flow in 2014.

The company's 4Q results were ahead of consensus and the 1Q guidance was in line (a relief from recent years). Based on stronger 4Q results we raised our 1Q and full year forecasts. LVL3 ended the year with 4.8x net leverage and is now within its target 3-5x, but management continues to favor the lower-end of the range.

David Phipps

Recent Credit Views

2/05/14 Citi Credit Views - High Yield Recap

1/30/14 Citi Credit Views - High Yield Recap

1/29/14 Citi Credit Views - High Yield Recap

1/28/14 Citi Credit Views - High Yield Recap

1/24/14 Citi Credit Views - High Yield Recap

1/23/14 Citi Credit Views - High Yield Recap

1/22/14 Citi Credit Views - High Yield Recap

MTH 4Q13 Recap: Reiterate Buy — Margins Up on Higher ASPs; Guiding for Flat Order Growth in Jan-14

North America | Homebuilding

MTH reported solid 4Q13 results this morning, with sales (\$533mm) and operating metrics in line with and EPS slightly above (\$1.19 Act vs. \$1.04 Prelim) preliminary results released on January 9th ahead of MTH raising 2.2mm shares of common stock. The company did not give FY14 guidance but was optimistic about the spring as they guided for flat gross margins, increased community count (210-220), and higher land spend.

James P Finnerty | Jesse Hou

Our Mid-Week High Yield Energy Boost — Carrizo Oil & Gas: Solid Operator, Maintain Sell on Relative Value

North America | Exploration & Production

We are affirming our Underweight on Carrizo Oil & Gas and maintaining our Sell rating on the company's two issues. The 8.625% Sr. Notes due 2018 are currently trading at \$108.125 (YTW: 2.8%) and the 7.5% Sr. Notes due 2020 are trading at \$109.125 (YTW: 5.1%). We appreciate that CRZO has been shifting focus to oil over the past year. Having said that, we do not think the paper is attractive from a relative value standpoint.

Marisa B Moss | Farah Zakir

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Standard Pacific (SPF) 4Q13 First Look — Sales/EBITDA Beat as ASPs Rise; Orders -11% YoY

North America | Homebuilding

Citi's Take — SPF Sales (+44% YoY) and EBITDA (+78% YoY) came in ahead of estimates, continuing the trend we've seen of builders coming in ahead of estimates on higher than estimated ASPs. However orders fell 11% YoY in the quarter as they failed to rebound from the -15% guided for Oct-13 on their 3Q13 earnings call. We will be focused on commentary around the drivers behind the YoY drop in orders, as well as any guidance for the pace of sales through January and outlook for the spring.

James P Finnerty | Jesse Hou

[>> Back to the Top](#)

Appendix A-1

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