Jefferies Insights
OCTOBER 2015

To Our Clients:

Navigating Rough Seas with Plenty of Cross-Currents and Limited Visibility

The summer months delivered a long, wild and often painful ride in the financial markets. The nice summer weather may now be in the history books, but unfortunately, the financial storm appears only to have worsened in September. How much of this tumult is real and justified based on true economic and corporate developments, and how much is sentiment compounded by outright fear, the herd instinct and weaknesses in market structure? We will only know the answer in coming weeks and months.

We would like to share with you 10 forces we see at work in the world today:

1. China appears to be in a period of major transition and we believe this could last quite a while. This transition and how it is managed will have a major impact on everything from global GDP growth, commodities to currencies. We truly are one world and it is in all of our collective best interests to manage this transition in as transparent, straightforward and balanced way as possible.
2. Europe's recovery is still going very slowly. While enjoying the benefits of continued monetary easing, the continent is still early in the long-term process of balancing and coalescing the interests of all the Euro members. Rates will need to stay low on the continent for quite some time, as the recovery is still too young and fragile to be left on its own.
3. Russia, which was not that long ago seen to be embracing capitalism, is ensconced in the massive pain that comes from being economically dependent on a narrow export commodities base—oil and gas. (By the way, the capitalism concept really never took hold in Russia because the only way sustainable open markets work is through transparency, a culture of integrity and a legitimate legal system.)
4. Other emerging markets across the globe have either had major corrections or have been all but obliterated. This seems to happen every bunch of years, and our guess is that, while markets are strained today, now is probably a good time to begin to get more involved in EM.
5. The shining light in the world today is the U.S., as we have cleaned up our financial services industry, and have a culture of entrepreneurism, creativity, innovation, resilience and hard work. Yet the U.S. risks social and political fracture, as evidenced by the recent resignation of Speaker of the House John Boehner and by the goings-on of the two political parties' selection processes for presidential candidates. (By the way, despite all the flaws in the U.S. political process, nobody has yet to invent a better one.)

IN THIS ISSUE

6. We believe the Federal Reserve soon will begin to wean the U.S. economy and markets off an unprecedented amount of monetary intervention. This stimulus has given U.S. markets an almost straight up trajectory for seven years. While we are most bullish on the U.S. economy, we believe this will be a very gradual return to normal rates, which is probably the right strategy.
7. The world is struggling to find sustainable growth anywhere (see Caterpillar sales warning) and, when we do, it appears there is a euphoria that develops that strikes us as potentially very dangerous (see the "unicorns" of Silicon Valley and beyond). Many of these latter companies are very real and incredibly valuable. We worry about some of the others when the eventual "down round" occurs and changes the momentum or, worse yet, diminishes "the dream."
8. Volkswagen, a national champion and aspirant to world leadership in one of the most significant industries ever, admitted to years of "manipulation of emissions data of diesel engines," and announced a new CEO and Interim Chairman. This black swan news rocked markets everywhere and broadly. If there was ever a doubt, this should confirm that it is virtually impossible to "see the next one coming."
9. Focusing on what may be the greatest threat to world commerce, U.S. and Chinese leadership announced an agreement on broad principles armed at stopping the theft of corporate trade secrets and prosecuting cybercriminals. To our way of thinking, this is long overdue and essential to a workable global recovery, but the devil will be in the details and enforcement. Achieving a true treaty or governance structure will take time and an incredible level of commitment, accountability and enforceability.
10. The energy and commodity complex is being shaken to its very core. The cause is a combination of geopolitics, supply and demand imbalances, technological advances and leverage. Having energy prices down materially are rarely systemically bad, as they make every other industry operate more profitably and supports the consumer. That said, a further collapse in energy prices could bring an increase in geopolitical risk, and clearly the most leveraged players will need to quickly address their capital structures or succumb to the marketplace, which can be both swift and unforgiving.

Given all these cross currents, it is understandable why every CEO or Investor's head may be twisting and turning as we all do our best to navigate this exceptionally volatile world. The sad reality is that it may stay this way for a while. Rather than fall into any despair, we will leave you with four thoughts that guide us as we navigate periods like this.

1. All that matters is the long-term, so long as you are secure in the short-term.
2. Culture matters and the companies that best capitalize on periods like these are the ones that have everyone pulling in the same direction.
3. These are periods where you cannot communicate too much to all constituencies.
4. Capital structure matters and these are periods that can create or lose a lot of long-term value and upside. Honest assessments and good investment banking advice is invaluable.

We can't predict what today and the future hold for valuations or markets, but we can commit to all of you, our clients, that everyone at Jefferies will be in the trenches every day to serve you with our best ideas, senior level attention, and the best execution possible.

Sincerely,

Rich and Brian

RICHARD B. HANDLER
Chairman of the Board and CEO
1.212.284.2555
rhandler@jefferies.com

BRIAN P. FRIEDMAN
Chairman, Executive Committee
1.212.284.1701
bfriedman@jefferies.com

Economics and Strategy

U.S. Economic Outlook: China, Implications for U.S. Growth and Inflation

Developments in China have roiled the financial markets but do not represent a significant direct threat to the U.S. economy. China does complicate the U.S. inflation outlook, however.

The U.S. export sector is a relatively small 12% of GDP, more than one-third of which is between Canada and Mexico. The U.S. exports to China less than $150 billion annually, which is a tiny fraction of the $18 trillion U.S. economy. So, U.S. exports to China can decline substantially without having a perceptible effect on U.S. growth.

However, events in China have suppressed inflation in the U.S. because of the important effect China has on commodity and goods prices that are imported into the U.S. This is one of the reasons that the Fed has continued to delay the rate normalization process. For example, the September 17 FOMC decision to hold rates steady was due in part to recent global economic and financial developments triggered by events "likely to put further downward pressure on inflation in the near term."

QE has had a good run in recreating lost wealth by boosting the value of a variety of financial assets and has also helped to prop up prices in real estate markets. The behavior of commodity prices has been a policy conundrum for the Fed, however, because commodity prices have been impervious to QE. In the U.S., the behavior of commodity prices has suppressed inflation and, consequently, complicated the Fed's implementation of Liftoff and the rate normalization process.

Why has QE been successful in providing a lift to financial assets and real estate prices but not commodity prices? The expansion of the U.S. energy sector is part of the answer, but China also lies at the heart of the matter. Because economic growth in China depends so heavily on export growth, China is the world's largest manufacturer and the world's largest consumer of a variety of commodities. Consequently, as China manufacturing goes, so goes much of the commodity market, and the slowdown in China's manufacturing sector since 2011 has coincided with the decline in commodity prices since 2011.

Whenever manufacturing activity in China again accelerates, this will translate into rising commodity prices and an acceleration of U.S. inflation. Falling commodity prices are a policy conundrum for the Fed now, and rising commodity prices will be a policy headache for the Fed at some point in the future.

— *Ward McCarthy, Chief Financial Economist*

European Economic Outlook: The Euro Area Recovery Gathers Momentum, but External Headwinds Grow Stronger

After years of underachievement, the euro area looks set to exceed expectations in the year ahead. In 2016, we think that GDP growth could average close to 2.5% – this compared to the ECB's latest estimate of only 1.7%. Domestic factors continue to be supportive of the euro area recovery gaining momentum. Credit channels are opening up, with the cost of loans continuing to fall in the periphery and the volume of lending picking up in most euro area counties. TLTROs will help stimulate credit growth next year, with the banks already showing more willingness to switch out of domestic sovereign bonds (where they have parked cash over the past five years) in favor of putting money to work in the 'real' economy. There are concerns around the impact from higher U.S. interest rates and the developments in China and in Russia but, for once, these headwinds originate from elsewhere and the wounds are not self-inflicted.

The UK story too is becoming more intriguing: the economy continues to expand, but political clouds are gathering on the horizon, with the uncertainty over the EU Referendum (and potentially another Scottish Referendum) complicating the BoE's reaction function. Rates should rise in 2016, but the BoE will let the U.S. Fed set the pace. FULL REPORT

— *David Owen, Chief European Financial Economist*

— *Marchel Alexandrovich, European Financial Economist*

From Hand Holding to Fear Mongering

After six years of success, the market is still questioning the efficacy of QE. There has always been angst associated with the utilization of “money printing” to solve our economic ills. And to be sure, the market has always been quite nervous about how the economy would perform as the stimulus was removed. This Fed exit was always going to be a tricky exercise in expectations management – which is why we have recommended staying on the sidelines of the U.S. financial asset markets this year.

However, none of the global risk asset markets have been immune from the confusing messages coming from the FOMC. As the China-driven August jitters created worry on the overall efficacy of QE, the FOMC did not set out to reassure a nervous market. Rather in their September meeting they seemingly validated the market’s worst nightmare. They moved from hand holding to fear mongering in a heartbeat. No doubt the FOMC didn’t mean it that way. And most likely they were just trying to ease financial conditions by pushing rate expectations lower. But rate accommodation was not the operational mechanism at work within financial asset markets. What they did was crush the very animal spirits that they spent six years reviving.

Looking ahead, the Fed will likely try to control the damage. But even with some good old fashion jawboning, it will be hard work. The Fed’s failed attempt at stimulating just reinforces our belief that miscommunication and confusion are going to be the only consistent themes for U.S. monetary policy during 2015. It was never going to be easy to predict the Fed during this year of transition – and it was never going to be easy to take significant positions in U.S. financial asset markets in 2015 either. As such we continue to see the QE driven risk asset markets of Europe and Japan as the only likely winners in an otherwise cloudy period for investment.

— David Zervos, Chief Market Strategist

Sentiment Swings

Global equities experienced a very mixed third quarter as concerns grew over China’s economy and the financial strength of many emerging market sovereigns. Fears over a currency war post China’s modest currency depreciation alongside weaker commodity prices sparked worries of a credit crisis within the developing economies. Furthermore, investors had also become overly concerned over the FOMC’s September Fed meeting and withdrew funds from U.S. equities, switching to money markets.

After weeks about worrying over Greece, investors appeared to have been “wrong footed” by the weak China macro data and declines in commodity based exchange rates. This led to sharp net outflows from EM bond and equity funds. European equities held up relatively well as better macro data and a resolution to the Greek debt crisis aided sentiment.

Equities are likely to be boxed in a tight range in the short term. On the one hand, investors have significant amounts of cash but on the other hand earnings and growth indicators are choppy. France, Italy, Germany and Ireland are experiencing a broadening in earnings revisions. However, the U.S. is now displaying a much weaker set of sales and earnings numbers due to a strong dollar, declining energy prices and difficult comps.

Japan remains almost alone in offering strong earnings growth but favorable valuations while Korea and Taiwan reveal quality mid-caps at a fair price.

— Sean Darby, Global Head of Equity Strategy

Best Research Ideas

AMERICAS

Retailing/Specialty Stores – Next Stop on the Coach: Category & Share Improvement

Jefferies upgrades Coach (COH) to Buy and adds the stock to the Jefferies Franchise Pick list. With a belief that the handbag category is poised for improvement, and that COH results—because of category improvement, a new head of design, store remodels and easy comps—will first get less bad and then become positive by the June quarter of 2016. Jefferies' survey data and Internet search data support these conclusions; with analysis suggesting remodels could add up to $0.50 to EPS over the next 3-5 years, which equates to nearly 20% of earnings. FULL REPORT

— *Randal Konik, Equity Research Analyst, Specialty Retail*

Global Pharma – Immuno-Oncology 2025: Deep Dive Highlights AstraZeneca and Roche in $51 Billion Market

Jefferies increased the tangible market opportunity to $51 billion for PD-1/L1 (programmed death-ligand 1) cancer treatments, seeing Roche and AstraZeneca (AZN) being positioned in a sweet spot with regard to combination therapy. Roche is catching up fast and could displace Bristol-Myers Squibb (BMY) as the category leader. AZN is Jefferies' "Top Pick" in Immuno-Oncology (IO) and European Pharma with the belief that consensus continues to underestimate the potential of AZN's IO program and the leverage it can provide to the company's growth prospects over the next 3-5 years. Lastly, while Jefferies sees Merck (MRK) and Pfizer (PFE) lacking leverage from IO, the firm remains extremely bullish on Franchise Pick PFE with regard to "optionality" accretive M&A and positive EPS momentum from Ibrance/Prevnar-13. FULL REPORT

— *Jeffrey Holford, Equity Research Analyst, Global Pharmaceuticals*

EMEA

French Telecoms – Catalysts for Change: Upgrading Bouygues to Buy

In the scramble for volume, French operators are conceding the opportunity to use fiber to upsell their customer bases. Now the Mobile oligopoly is looking unstable. November's spectrum auction is engineered to disrupt, with Iliad's mobile unit, Free, the most at risk of being denied a reasonable allocation. Logically Free should then compete on price, instigating disruption. That threat will focus minds on competitive issues facing the industry, renewing impetus for consolidation in early-2016 with interests aligned as never before. FULL REPORT

— *Jerry Dellis, Equity Research Analysts, European Telecoms*

Tate & Lyle – The Flywheel Starts to Turn: Upgrade to BUY

Growing signals of improving Corn Wet Milling economics have led Jefferies to upgrade numbers and view for Tate & Lyle (TATE LN). The 2016 High Fructose Corn Syrup (HFCS) pricing round in the U.S. has started early and robustly in a sign of confidence. History shows that HFCS is a barometer of wider Specialty Food Ingredients & Bulk economics, and that when the cycle turns it can do so quickly and dramatically. With the shares visiting 500p and yielding 5.6%, Jefferies' opinion has turned positive. FULL REPORT

— *Martin Deboo, Equity Research Analyst, European Consumer*

ASIA

China's Currency Conundrum

In a surprise move China allowed its exchange rate to drop by around 2% on August 11. In Jefferies' view, the cut is more likely an attempt to reflect capital account outflows and the fact that the balance of payments data has turned modestly negative.

One week later, China eased monetary policy further by cutting both deposit and lending rates by 25 basis points to 1.75% and 4.6%, respectively. Again, Jefferies does not believe the recent 'depreciation' of the yuan was related to weak exports but was due to the need to account for capital outflows. The firm's examination of this policy conundrum concludes that China's foreign exchange policy is dictating monetary policy. The stronger U.S. dollar has had the unintended consequences of forcing Chinese companies to reduce their external debt burden. Ironically, the recent yuan 'free-float' has exacerbated this trend towards owning dollars as the end of the one-way Renminbi appreciation has undermined confidence in the Chinese currency. Money outflows require monetary relaxation—otherwise interest rates will need to move up to attract capital back into the economy. FULL REPORTS

— *Sean Darby, Global Head of Equity Strategy*

Outside Looking In: Directorship Analysis across Japanese Financials

Outside directors and Board composition are under focus in Japan, and governance reform is happening. Jefferies analyzed the situation for the Financials from many angles. When compared to the firm's optimal board composition criteria, Japan Exchange Group (JPX; 8697 JP, BUY) and Nomura (8604 JP, BUY) have particularly good governance with regards to Board composition, followed by Mitsubishi UFJ Financial (MUFG), Resona and Mizuho. JPX and Nomura have directors from accountancy backgrounds, which can be important in providing independent opinions on the financial side of the business, and independent directors from outside Japan whom are able to bring a global perspective into the organization. FULL REPORT

— *Makarim Salman, Research Analyst, Head of Japan Financials*

Actionable Ideas for Companies and Sponsors

EQUITY CAPITAL MARKETS

Wall-Crossed Equity Offerings Minimize Risk in Volatile Equity Markets

Given the heightened equity market volatility, companies are expected to pursue wall-crossed, privately marketed equity offerings as an alternative to traditionally marketed executions. This alternative method of execution allows companies to gauge investor demand and allows for greater price discovery prior to public launch while investors are locked in under NDAs and the transaction has not been publically announced. Wall-crossed offerings also allow companies to signal stronger demand for their offering to the broader institutional investor base, based on momentum from the private marketing period. The private marketing period also provides issuers with greater flexibility in volatile markets by giving the issuer the ability to withdraw a transaction if it encounters negative market conditions.

SPACs Return as a Popular Acquisition Vehicle

The market has seen the return of Special-Purpose Acquisition Company (SPAC) issuance over the last 18 months. This year 16 SPACs have raised approximately $3.1 billion. This pace represents the highest dollar level of SPAC issuances since 2007. SPAC technology has improved from earlier structures by: (1) largely eliminating the risk of shareholders voting down a deal, (2) reducing dilution from founder shares and warrants, and (3) increasing SPAC sizes to make larger transactions possible.

This year SPACs have also shown an improved ability to successfully complete acquisitions of size, including: (1) Boulevard Acquisition Corp.'s acquisition in April of Agrofresh for $860 million, (2) Levy Acquisition Corp.'s acquisition in March of Del Taco for $500 million, (3) Capitol Acquisition Corp.'s acquisition in March of Linblad Expeditions for $440 million, and (4) Silver Eagle Acquisition Corp.'s acquisition of Videocon in January for $273 million.

Companies Increasingly Issuing Convertibles to Refinance Shorter-Dated Debt Maturities

Companies are increasingly using longer-dated convertibles to refinance high yield debt and floating-rate credit facility maturities. Issuers are also turning to the convertible market to refinance shorter dated convertible maturities out three to five years. These transactions allow issuers to lock in fixed, low-cost debt ahead of the impending Fed interest rate hikes and are often accretive to EPS. Convertible investors are very receptive to these refinancing transactions and recognize the economic benefits for issuers.

DEBT CAPITAL MARKETS

Dual Tranche High Yield Bonds and Dual Tranche First Lien Loans

With the Federal Reserve decision to increase rates causing debate as to the timing and degree of an impending rate hike, we recommend clients consider high yield bonds with dual tranches. This affords investors with varying views on the Federal Reserve's future policy increased optionality, by allowing them to choose between maturities based upon how they view the future of the macro environment. In addition, it also benefits the issuer as it typically enables them to get an average lower interest rate.

To provide companies seeking to raise larger amounts of capital with better execution, we also recommend pitching dual tranche first lien loans. In addition to breaking up a large tranche and making it easier to digest, the two-tranche first lien structure offers companies an edge when bringing their deals to market, by providing investors with first lien level security as well as the opportunity to choose from essentially the same loan with two different tenors.

Financing Pre-Emptive Bids in LBOs

Pre-emptive bids by financial sponsors in leveraged buyouts are becoming a rapidly growing trend, as winning deals has become much more competitive. Recently, Jefferies provided a 100% underwrite to a top 10 global financial sponsor in less than a one week turnaround, which enabled this sponsor to submit a pre-emptive and winning bid to acquire an industrial company prior to the final auction stage. Jefferies delivered a no-outs financing commitment.

Issuing Term Loan Bs Accompanied by ABLs

The increased recent market volatility has led to issuer interest in first lien term loans accompanied by a large asset-backed loan (ABL), as opposed to a first/second lien structure. ABL facilities are not structured on the basis of total leverage and therefore are not generally included in leverage calculations at issuance. Adding an ABL is also advantageous to the issuer from a pricing perspective, given that ABL facilities are generally priced at a much tighter spread than a regular way cash flow loan.

MERGERS AND ACQUISITIONS

M&A Opportunities Arising from Recent Equity Market Correction

The recent correction in global equity markets may cause stock-based transactions to hit roadblocks and may create opportunities for cash-rich corporates and sponsors to consummate transactions. Key areas for clients to target include:

1. Delayed IPOs or IPO spin-offs – as numerous sale opportunities will arise from IPOs being cancelled or postponed
2. Announced Transactions with Significant Stock Components – as relative valuations have changed so significantly that rival cash bidders may emerge that may be more appealing than uncertain equity valuations
3. Perceived and Real Increase in Takeover Vulnerability – as companies that were comfortable with their share price may themselves become takeover targets, and
4. Cross-Border Opportunities – as reduced stock prices, together with reduced currency valuations, may create uniquely attractive valuations.

UK Inbound M&A Expected to Continue and U.S. Acquirors Increasingly Using Stock for UK Targets

UK companies are attracting near record-breaking interest from foreign buyers. The UK has seen $283 billion of inbound M&A YTD, double the $140 billion seen at the same stage last year. Overseas buyers are confident about the region's economic recovery and view the UK as relatively safe in terms of international expansion alternatives. In addition, the strong U.S. dollar is also substantially boosting the spending power abroad of U.S. corporates who are leading the M&A influx.

Historically, U.S. acquirors have refrained from issuing stock as part of a purchase of publicly listed UK companies. This was because many UK shareholders are unable or unwilling to hold U.S.-listed stock, with the resultant selling of such purchase consideration (or "flowback") putting pressure on the U.S. acquiror's stock price. During this year, however, there have been a number of U.S. acquirors issuing a material element of takeover consideration as stock, and often combining it with a stock purchase program to limit the impact of flowback. UK shareholders are realizing that receiving a stock component is often necessary for the U.S. acquiror to pursue an earnings enhancing transaction, and for those UK shareholders that cannot hold U.S. stock as part of their investment remit, they will sell these shares via a pre-structured buy-back programme by the U.S. acquiror.

Private Equity Owners Increasing Equity Rollover Participation in Sale Processes

Private equity sellers have become more supportive of rolling a meaningful equity stake as part of the transaction, due in part to increasingly shorter holding periods that are resulting from their taking advantage of an extremely strong M&A market. Meaningful rollover, generally representing 20-40% of the pro-forma ownership, can help bridge valuation and financing gaps. In addition, private equity sellers may be willing to accept a lower valuation from a PE buyer in order to participate in future upside potential that is not typically available from a strategic buyer.

RESTRUCTURING AND RECAPITALIZATION

Creating Restructured Value Through REIT Conversions

A new trend has emerged among distressed companies—value creation through conversion to a real estate investment trust (REIT). Specifically, creditors in the Energy Future Holdings/TXU Chapter 11 have been working on a plan to convert the company to a REIT. Similarly, Caesars Entertainment Operating Company, also in Chapter 11, has embedded a REIT conversion into its Chapter 11 exit plan.

In a low interest rate environment, dividend paying REITs are highly sought after investments and as such may assist a distressed company attempting to restructure its balance sheet. For a REIT structure to work, the company needs to have significant real estate assets but does not need to be a real estate company. Retail chains, data centers, outdoor-advertising and casinos are all potentially "REITable."

Out-of-Court Restructuring Through a Debt-for-Equity Exchange Offer

Debt-for-equity conversions may be accomplished through a Chapter 11 process; however, many companies prefer to utilize a debt-for-equity exchange in an out-of-court restructuring. There are several important considerations in using exchange offers to complete out-of-court debt-for-equity conversions:

1. The company must have enough authorized but unissued shares in order to complete the exchange (or complete a shareholder vote to authorize issuance of adequate shares) and, to the extent listed, comply with exchange requirements for shareholder approval (20% threshold).
2. A very high acceptance rate (e.g. 95%) among bondholders is usually required, as most debentures in the U.S. have no collective action clause to drag along dissenters.
3. Concentrated ownership of the relevant debt tranche that would be the subject of the exchange offer is important, as more concentration means fewer parties to negotiate with.

4. Change of control provisions in other debt as exchanges can be very dilutive and trigger change of control provisions in other debt.
5. Tax liability is also a consideration, as cancellation of indebtedness income may result in a significant cash outflows absent the presence of significant NOLs
6. The company must have a clear runway going forward with respect to both liquidity and other debt maturities in order to be attractive for creditors to relinquish debt claims in exchange for equity.

MUNICIPAL FINANCE

Capitalizing on Rich Short-term Muni Rates

The amount of short-term municipal paper in the public domain has been cut in half over the last 5 years. This dearth of supply could have interesting implications for traders even as the Fed looks to raise rates. Before considering the implications, however, it is important to understand why issuance has fallen so far so fast. The main reasons for the lack of supply include: (1) the relative attractiveness to issuers of low, long-term rates; (2) a large expansion of “direct purchases” by banks that started buying and holding short-term muni loans on their balance sheets in 2009; and (3) a significant reduction in the number of issuers that sell floaters and swap to fixed.

The decline in supply has outpaced any decline in demand; therefore, short-term tax-exempt rates remain disproportionately low compared to taxable short-term rates. Currently, the tax-exempt index (SIFMA Index) is 2 basis points, which is only 10% of the yield on 1-month LIBOR. Theoretically, the SIFMA Index should be closer to 65% of 1-month LIBOR. Unless something changes to the supply/demand technicals, this “rich” short-term tax-exempt market could persist. Even if the Fed raises rates, short-term muni rates may lag unless supply increases or demand wanes. One way to capture the relative dislocation of the SIFMA Index is by entering into a basis swap whereby the investor receives a fixed percentage of one-month or three-month LIBOR and pays the SIFMA Index. There are various risks to be considered, including market value risk, but the potential for carry is worth evaluating.

Jefferies, the global investment banking firm, has served companies and investors for over 50 years. Headquartered in New York, with offices in over 30 cities around the world, Jefferies provides clients with capital markets and financial advisory services, institutional brokerage and securities research, as well as wealth management. The firm offers research and execution services in equity, fixed income and foreign exchange markets, and a full range of investment banking services including underwriting, merger and acquisition, restructuring and recapitalization and other advisory services, with all businesses operating in the Americas, Europe and Asia. Jefferies Group LLC is a wholly owned subsidiary of Leucadia National Corporation (NYSE: LUK), a diversified holding company.

NOTABLE RECENT TRANSACTIONS

Healthcare September 2015 Pending Sirona The Dental Company **$5,589,000,000** Merger with **DENTSPLY International Inc.** Sole Financial Advisor	Industrials July 2015 Protection 1 Security Solutions **$1,450,000,000** Credit Facilities to Finance Acquisition by **Apollo Global Management** Joint Lead Arranger	Consumer August 2015 planet fitness **$248,000,000** Initial Public Offering Joint Bookrunner	Energy July 2015 Pending MarkWest Energy Partners, L.P. **$20,000,000,000** Sale to **MPLX LP** Sole Financial Advisor
Aerospace / Defense July 2015 StandardAero **$1,075,000,000** Credit Facilities to Finance Acquisition by **Veritas Capital** Joint Lead Arranger	Healthcare August 2015 Therakos **$1,325,000,000** Sale to **Mallinckrodt plc** Joint Financial Advisor	Technology August 2015 CommScope **$1,800,000,000** Credit Facility to Finance Acquisition of **TE Connectivity (BNS Business)** Joint Lead Arranger	Energy July 2015 RKI Exploration & Production **$2,750,000,000** Sale to **WPX Energy Inc.** Sole Financial Advisor
Telecom August 2015 lightower **$1,060,000,000** Credit Facilities to Finance Acquisition of **Fibertech Networks, LLC** Joint Lead Arranger	Energy July 2015 LINN Energy **$1,000,000,000** Joint Venture with **Quantum Energy Partners** Sole Financial Advisor	Healthcare September 2015 Danaher **$2,000,000,000** Senior Unsecured Notes Offering Joint Bookrunner	Consumer August 2015 Amplify Snack Brands **$270,000,000** Initial Public Offering Joint Bookrunner
Healthcare September 2015 Pending AMCo Amdipharm Mercury **$3,500,000,000** Sale to **Concordia Healthcare Corp.** Joint Financial Advisor	Real Estate July 2015 Brixmor Property Group **$500,000,000** Senior Unsecured Notes Offering Joint Bookrunner	Energy July 2015 Fourpoint Energy **$840,000,000** Acquisition of Western Anadarko Basin Assets from **Chesapeake Exploration, LLC** and **CHK Cleveland Tonkawa, LLC** Sole Financial Advisor	Industrials August 2015 QD Quality Distribution **$635,000,000** Credit Facilities to Finance Acquisition by **Apax Partners LLP** Joint Lead Arranger
Telecom July 2015 primacom **$781,000,000** Sale to **Tele Columbus AG** Sole Financial Advisor	Finance August 2015 July 2015 Alliant **$1,540,000,000** Credit Facility to Finance Acquisition by **Stone Point Capital LLC** Joint Lead Arranger **$535,000,000** Senior Unsecured Notes Offering Joint Bookrunner	Healthcare August 2015 amag pharmaceuticals **$500,000,000** Senior Unsecured Notes Offering Joint Bookrunner **$350,000,000** Credit Facility to Finance Acquisition of **Cord Blood Registry** Joint Lead Arranger **$231,000,000** Common Stock Offering Joint Bookrunner	Consumer August 2015 Pending Steiner Skincare·Spas·Education **$923,000,000** Sale to **Catterton Partners** Sole Financial Advisor to Steiner Leisure's Special Committee
Finance July 2015 Pending 360T Trading Networks **$796,000,000** Sale to **Deutsche Börse AG** Sole Financial Advisor	Energy September 2015 Halcón Resources **$1,566,000,000** Recapitalization Financial Advisor to the Company	Consumer August 2015 Shake Shack **$240,000,000** Common Stock Offering Joint Bookrunner	Healthcare September 2015 Pending InvaGen Pharmaceuticals, Inc. **$550,000,000** Sale to **Cipla Limited** Sole Financial Advisor

JEFFERIES KEY FACTS & STATISTICS

(as of 8/31/2015)

Founded: 1962

Total Capital: $10.9 billion

Total Assets: $42.8 billion

Number of Employees: 3,665

Companies under Global Equity Research Coverage: 2,000+

GLOBAL HEADQUARTERS
520 Madison Avenue
New York, NY 10022
1.212.284.2300

EUROPEAN HEADQUARTERS
68 Upper Thames Street
London EC4V 3BJ UK
+44 20 7029 8000

ASIAN HEADQUARTERS
2 Queen's Road Central
Central, Hong Kong China
+852 3743 8000

Jefferies.com

IMPORTANT DISCLOSURES

This material has been prepared by Jefferies LLC, a U.S.-registered broker-dealer, employing appropriate expertise, and in the belief that it is fair and not misleading. Jefferies LLC is headquartered at 520 Madison Avenue, New York, N.Y. 10022. The information upon which this material is based was obtained from sources believed to be reliable, but has not been independently verified; therefore we do not guarantee its accuracy. This is not an offer or solicitation of an offer to buy or sell any security or investment. Any opinion or estimates constitute our best judgment as of this date, and are subject to change without notice. Jefferies LLC and Jefferies International Limited and their affiliates and their respective directors, officers and employees may buy or sell securities mentioned herein as agent or principal for their own account.

In the United Kingdom this material is approved by Jefferies International Limited and is intended for use only by persons who have professional experience in matters relating to investments falling within Articles 19(5) and 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended), or by persons to whom it can otherwise be lawfully distributed. In the member states of the European Economic Area, this document is for distribution only to persons who are “qualified investors” within the meaning of Article 2(1)(e) of The Prospectus Directive. For Canadian investors, this document is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a “Designated Institution” as defined by the Securities Act (Ontario). For investors in the Republic of Singapore, this material is intended for use only by accredited, expert or institutional investors as defined by the Securities and Futures Act and is distributed by Jefferies Singapore Limited, which is regulated by the Monetary Authority of Singapore. Any matters arising from, or in connection with, this material should be brought to the attention of Jefferies Singapore Limited at 80 Raffles Place #15-20, UOB Plaza 2, Singapore 048624, telephone: +65 6551 3950. In Australia this information is issued solely by Jefferies LLC and is directed solely at wholesale clients within the meaning of the Corporations Act 2001 of Australia (the “Act”) in connection with their consideration of any investment or investment service that is the subject of this document. Any offer or issue that is the subject of this document does not require, and this document is not, a disclosure document or product disclosure statement within the meaning of the Act. Jefferies LLC is regulated by the Securities and Exchange Commission and the Financial Industry Regulatory Authority, under the laws of the United States of America, which differ from Australian laws. Jefferies LLC has obtained relief under Australian Securities and Investments Commission Class Order 03/1100, which conditionally exempts it from holding an Australian financial services license under the Act in respect of the provision of certain financial services to wholesale clients. In Japan this material is issued and/or approved for distribution by Jefferies (Japan) Limited to institutional investors only. In Hong Kong, this material is issued and/or approved for distribution by Jefferies Hong Kong Limited and is intended for use only by professional investors as defined in the Hong Kong Securities and Futures Ordinance and its subsidiary legislation. In India this material is issued and/or approved for distribution by Jefferies India Private Limited. Recipients of this commentary in any other jurisdiction should inform themselves about and observe any applicable legal requirements in relation to the receipt of this material. Jefferies International Limited is authorized and regulated in the United Kingdom by the Financial Conduct Authority. Its registered office is at Vintners Place, 68 Upper Thames Street, London EC4V 3BJ; telephone +44 20 7029 8000; facsimile +44 20 7029 8010.

This communication is being provided strictly for informational purposes only. This information is not a solicitation or recommendation to purchase securities of Jefferies and should not be construed as such.