

Introduction to Gazelle's Pensions Advisory Services

2008

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Authorised and regulated by The Financial Services Authority

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Gazelle

- Independent FSA-regulated financial advisory business established in 1996
- Provides pension Trustees with financial advice
- Focus on larger schemes and companies
- Experienced team with senior level of experience in pensions, corporate finance and credit analysis
- No conflicts - we do not act on both sides of a transaction

Our skills and experience



Gazelle

The Pensions Advisory team



Paul Thornton – Managing Director, Pensions Advisory

Joined Gazelle from Watson Wyatt, where he was Senior Partner and acted as Scheme Actuary to schemes with £50 billion of assets overall. He was President of the Institute of Actuaries 1998-2000 and in 2007 he led an independent Review of Pensions Institutions for the Department of Work and Pensions.

32 years actuarial consulting experience



Donald Fleming – Director, Pensions Advisory

Joined Gazelle from JP Morgan Cazenove where he worked as a corporate finance adviser for 11 years. Prior to this he was a banking lawyer with Clifford Chance. He has significant experience in advising both the boards of major investment funds and UK companies on capital markets and M&A activity

17 years corporate advisory and capital markets experience



Richard Hall – Director, Pensions Advisory

Joined Gazelle from Standard & Poor's where he ran the rating agency's sponsor covenant business. Prior to this, he worked as a consulting actuary for both Mercer and Watson Wyatt. He participated on the Sponsor Covenant Working Party of the Institute of Actuaries.

15 years covenant assessment and actuarial consulting experience



Monisha Vinod – Assistant Director, Pensions Advisory

Joined Gazelle from Barclays Capital. She was previously with ABN Amro and PwC in Australia where she built up significant experience in restructuring and credit analysis

7 years credit analysis and restructuring experience



Simon Willes – Executive Chairman, Gazelle

Since founding Gazelle, Simon has built up the company's M&A practice. Prior to Gazelle, Simon had over 15 years' as a Director of Morgan Grenfell and Close Brothers

25 years' M&A and debt advisory experience

What Gazelle does

We draw on this range of skills and experience to provide well rounded advice

Covenant analysis

- assess the Company's willingness / ability to fund the pension scheme
- assess the Company's strategy and analyse its financial condition and forecasts

Scenario analysis

- help to assess the risks to the covenant

Strategic advice

- help clients to identify objectives and the strength of their negotiating position
- provide clear advice and recommend appropriate solutions

Transactional advice

- support throughout change of ownership, demerger, refinancing, recovery plan

Buy-out advice

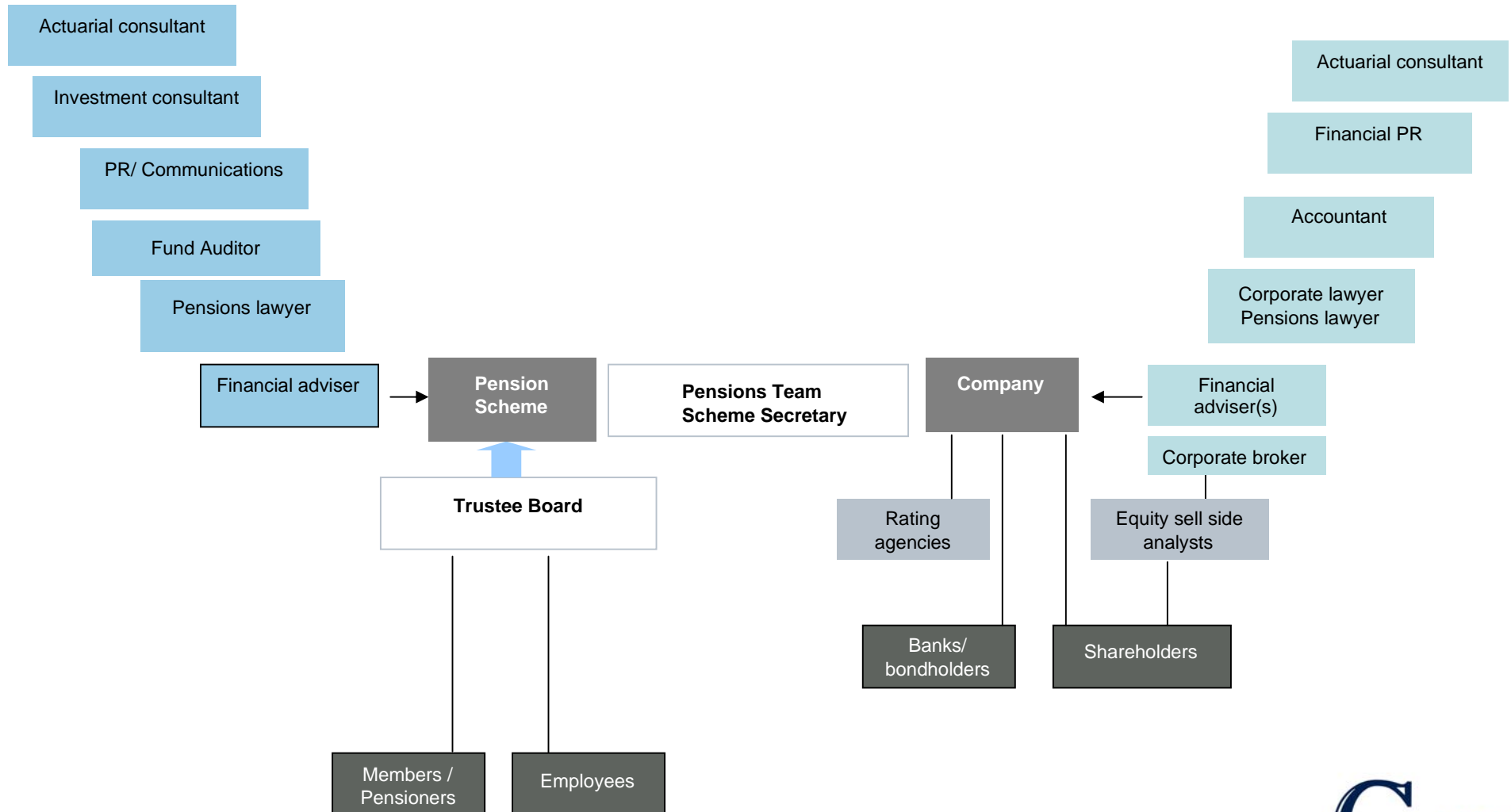
- manage the process, evaluate and select providers

Negotiation

- assist in negotiations with other parties including the Pensions Regulator

Gazelle's position

We work with the Scheme's other advisers, as part of the team



Assessment of the sponsor covenant

Key elements	Rationale for analysis	Our areas of focus
Key factors		
Competitive environment	<ul style="list-style-type: none"> Financial “risk” in the employer in the context of its competitive environment 	<ul style="list-style-type: none"> Where do business / competitive risks lie in this company?
Strategic response	<ul style="list-style-type: none"> Management’s strategy determines shape and viability of the long-term sponsor support 	<ul style="list-style-type: none"> Assessment of Management’s strategy Assessment of challenges
Financial support	<ul style="list-style-type: none"> Assessment of affordability of pension funding 	<ul style="list-style-type: none"> Analysis of the cash flows and the larger claims on cash flows - esp. dividend, debt service, capex.
Balance sheet	<ul style="list-style-type: none"> Scheme exposure in financial distress 	<ul style="list-style-type: none"> Corporate structure, where scheme employer(s) fit Capital structure – sources and features of finance Technical position on insolvency
Mitigations	<ul style="list-style-type: none"> Interaction with recovery plan 	<ul style="list-style-type: none"> Interaction with Investment and Funding risks Consideration of whether mitigation is appropriate

How we help Trustees become equipped and prepared for events

Getting information

- Requires sensitive handling to get buy-in from the Company (FD, Treasurer etc)
- We understand the type of dialogue the Company will have with other parties: market analysts, shareholders, lenders
- We act under confidentiality
- Relevance: “line-fishing” not “trawling”



Interpreting information

- Quantitative and qualitative skills - to assess ability and willingness to fund
- Understanding the wider stakeholder environment
- Identifying priorities and key risks
- Clear recommendations and opinions



Using information effectively

- Progressive covenant monitoring
- A watching-eye on the Company and its market-place
- Addressing key issues



Trustees become equipped and prepared for events – bids, disposals, returns of capital, re-financings

Places Trustees on a level playing field with other stakeholders

Major Trustee clients



Monitoring covenant

- Ongoing monitoring of the covenant and strategic developments



Monitoring covenant, advice on sale and refinancing; advice on recovery plan

- Ongoing monitoring of the covenant
- Advised Trustees throughout company disposal and bank refinancing
- Negotiated and achieved agreed Clearance for innovative agreement including share of disposal proceeds, escrow account and information covenants)
- Advised throughout subsequent Scheme Specific Recovery Plan negotiations



Monitoring covenant

- Ongoing monitoring of the covenant

Major Trustee clients



Advice on whole company sale

- Complex “dual track” sale of business to a financial (infrastructure) purchaser
- Provided comprehensive financial advice through the process as well as covenant assessment
- Subsequently advised the Trustees on company securitisation

The logo for Cadbury Schweppes, featuring the company name in a purple cursive script font with a horizontal line underneath.

Advice on de-merger

- Covenant assessment
- Interaction with actuarial valuation and scheme recovery plan

The logo for LONMIN, consisting of the word "LONMIN" in a white sans-serif font centered within a solid blue square.

Advice on annuity buy-out

- Provided advice on the choice of provider for an annuity buy-out of a closed pension scheme

The logo for a US quoted industrial company, consisting of the text "US quoted Industrial company" in a blue sans-serif font.

Advice on bank refinancing and monitoring covenant

- Ongoing advisory mandate
- US parent undergoing complex refinancing
- Providing advice to Trustees on security negotiations, recovery plan, covenant quality

Buyout advice

Annuity buyout is now seen by many corporates as a viable approach to de-risking pension commitments

We are helping several Trustee boards to evaluate and progress buyout proposals

We support the Trustees' decision-making using a structured process to:

- establish Trustee objectives
- identify suitable providers
- decide on appropriate selection criteria and their weighting
- rank propositions against the selection criteria
- work with the advisory team to obtain best available terms
- carry out due diligence on the appropriate provider

We help the Trustees to achieve a successful outcome from a complex transaction

Why Gazelle?

Relationship-based support to the Trustees and Pensions Team

- ✓ We give clear recommendations, advice and opinions
- ✓ We are skilled in positioning and negotiation
- ✓ We are independent and free from conflict
- ✓ We build a relationship with the Company to secure information flow and promote Trustee interests
- ✓ We build relationships with other advisers to provide effective and cohesive advice
- ✓ We have an experienced senior team with a broad range of skills