

Corporate Credit > U.S. High Yield



ADT Corp. (ADT)

Updated: Oct 1, 2015

Trade Idea:

- › Buy ADT Corp. 6.25% Senior Unsecured Notes due 2021.

Investment Rationale:

- › Largest provider of residential security monitoring services in North America with a 25% market share and 6.5 million customers.
- › Solid, stable, recurring free cash flow generator with 50+% EBITDA margins industry average customer attrition rates.
- › Moderate leverage at 2.9x total debt/EBITDA, with management's targeted leverage ratio not to exceed 3.0x.
- › Publicly traded company with a \$5Bn equity market capitalization, providing a 50% total debt/Enterprise Value ratio.
- › The ADT 6.25% senior unsecured notes due 2021, at the current offer price of \$103.25, provide a 5.6% YTW, 410 bps OAS, and a 6.0% Current Yield for a solid BB- rated credit with a meaningful potential for an M&A take-out by an investment grade strategic acquirer.

Recommendation(s):

View	Trade Horizon	Ticker	Cpn	Maturity	Ratings		Ccy	Issue		Cash			ISIN	
					S&P	Moody's		Size	YTW	OAS	Price	Target		Loss
+ 1	12 Months	ADT	6.250%	10/15/2021	BB-	Ba2	USD	1,000	5.60%	410	103.250	108.0	100.0	US00101JAK25

* Levels as of 10/01/2015