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**Recovery Report:**  
**Lender Processing Services, Inc.'s  
Recovery Rating Profile**

**Primary Credit Analyst:**

Philip Schrank, New York (1) 212-438-7859; phil\_schrank@standardandpoors.com

**Recovery Analyst:**

Kenneth C Pfeil, New York (1) 212-438-7889; ken\_pfeil@standardandpoors.com

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## Recovery Report:

# Lender Processing Services, Inc.'s Recovery Rating Profile

On June 2, 2008, Standard & Poor's Ratings Services assigned issue level ratings and recovery ratings to Lender Processing Services Inc.'s (LPS) senior secured credit facility and senior unsecured notes. The senior secured credit facility is rated 'BBB' (two notches higher than the 'BB+' corporate credit rating), with a recovery rating of '1', indicating the expectation for very high (90% to 100%) recovery in the event of a payment default. It consists of a \$140 million revolving credit facility, a \$700 million term loan A, and a \$485 million term loan B. The \$400 million senior unsecured note issue is rated 'BB+' (the same as the corporate credit rating), with a recovery rating of '3', indicating the expectation for meaningful (50% to 70%) recovery in the event of a payment default.

Lender Processing Services Inc.--Credit Profile					
<b>Corporate credit rating</b>	BB+/Stable/--				
Estimated gross enterprise value at default	\$1.264 bil.				
Year of default	2012				
Facility/Issue*	Outstanding principal at default	Issue rating	Recovery rating	Expected recovery (%)	Maturity
<b>Secured debt</b>					
revolving credit facility	\$140 mil.	BBB	1	90-100	2013
Term loan A	\$245 mil.	BBB	1	90-100	2013
Term loan B	\$468.0 mil.	BBB	1	90-100	2014
<b>Unsecured debt</b>					
Sr unsecured notes	\$400 mil.	BB	3	50-70	2016

For the complete corporate credit rating rationale for LPS, see Standard & Poor's research update, published earlier today on RatingsDirect.

## Recovery Analysis

### Simulated default scenario

Standard & Poor's simulated default scenario envisions a sustained period of weakness in the mortgage market leading to low activity levels in LPS' origination business and reduced demand for its default processing services.

Further factors include:

- A 200-basis-point increase in LIBOR at the time of default;
- A 200-basis-point margin rise as a result of the simulated credit deterioration;
- A fully drawn revolving credit facility; and
- Default occurs when the company cannot meet its fixed charges, including heavy term loan A amortization from internally generated funds and an inability to refinance the balance of the facility.

## **Valuation**

Given the company's strong position serving financial institutions in the mortgage business and the switching costs involved in changing service providers, a significant customer base should remain around which the business can be reorganized. Thus, an enterprise valuation methodology has been used to value the business as an ongoing concern.

- In the default scenario, EBITDA would fall more than 60% from current levels. Although the decline in EBITDA needed to default is high compared with current debt, we would expect that the company could increase debt if its credit profile were to worsen and before defaulting; and
- A 6x emergence multiple was used.

## **Results**

The valuation analysis results in a gross enterprise value of about \$1.264 billion that, after administrative expenses of 5% of enterprise value, provides for very high (90% to 100%) recovery on the first-lien secured credit facility. This leaves the unsecured noteholders with meaningful (50% to 70%) recovery prospects.

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