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Media Release

Credit Suisse launches Corporate Insights white paper series

New publication considers capital deployment dilemma

New York, November 10, 2015 **Credit Suisse today released its inaugural issue of Credit Suisse Corporate Insights, addressing the question of whether companies should reinvest in their business or deploy capital to shareholders.**

The white paper found that companies in the US market are currently in excellent health, with corporate profitability approaching historical highs. This has produced record levels of corporate cash, in turn creating a challenge for managers: how to allocate excess cash.

The publication was produced by the HOLT Corporate Advisory group, which evaluated the complexity of the capital deployment challenge. It presents a framework for corporations to address whether they should reinvest in their businesses – organically or through mergers and acquisitions – or return cash to shareholders through buybacks or dividends.

Jim Amine, Head of Investment Banking and Capital Markets, said: "The launch of this periodical comes at a time when Credit Suisse is investing in our IBCM business and enhancing our client coverage. Initiatives like this are an important part of how we help our clients navigate complex issues in challenging markets."

Rick Faery, Head of the HOLT Corporate Advisory group, said: "The decision about what to do with excess capital is a difficult one. We found that there is no easy one-size-fits-all answer, but that the companies which succeed in deploying capital are those that pay attention to returns on capital, to the market's expectations for their growth, and to understanding where they are in their corporate life-cycle."

Other key findings of the paper include the following:

- Corporates are increasingly favoring buybacks and dividends over capital investments and M&A – running the risk of reducing companies' much-needed growth and value creation.
- Historically, companies deployed 60% of cash flows in capital investment and returned 26% to shareholders; in the past several years capital invested has dropped to 53% while cash returned to investors has increased to 36%
- Looking at historical data, companies which returned capital to shareholders achieved an average total shareholder return (TSR) outperformance of 9% annually; whereas reinvesting in their business produced annualized excess TSR of 14%, under appropriate conditions and with the right strategy
- However, companies that misinterpreted conditions or pursued the wrong strategy when reinvesting underperformed the market by 14%.

To view the inaugural issue of Credit Suisse Corporate Insights, please click here.

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About HOLT
HOLT is a unique Credit Suisse framework that provides objective, cashflow-based analysis to help investors understand equity market valuations. The HOLT framework is rooted in a proprietary return on capital (CFROI) that adjusts for the distortions of traditional accounting metrics, improving comparability through time and across national borders.

HOLT Corporate Advisory is a team in Credit Suisse's Investment Banking and Capital Markets division, which uses the HOLT framework to provide insights and advice to corporate clients on how their strategic decisions impact share price. The team advises companies on both strategic (M&A) and capital markets (IPO) activities.