Tear Sheet: Maxeda's €400M 2026 Senior Secured Notes

Dutch DIY retailer Maxeda has launched a six-year non-call two €400 million of senior secured notes. Proceeds, together with €52 million of cash on hand, will be used to repay in full €435 million of the group's existing 6⅛% senior secured notes due 2022 (the "2022s"). The remaining €40 million of existing notes are held by the group, which will be cancelled prior to the completion of this offering. At the time of issuance, the issuer expects to enter into a €65 million revolving credit facility which, along with certain priority hedging obligations, will be secured on a super senior basis and receive proceeds of enforcement of the collateral ahead of the noteholders.

Goldman Sachs and ING are global coordinators on the deal. ABN Amro and BNP Paribas are acting as joint bookrunners.

Investors meetings will be taking place today, with pricing thereafter.

A capital structure prepared by Reorg can be found at the end of this tearsheet.

All grower amounts used in basket calculations are based on the Adjusted EBITDA (pre-IFRS 16) figure of €151 million as of twelve months ended August 2, 2020.

Debt Explained's tear sheet below is a synthesized legal and financial tool that quickly provides a concise summary of covenant capacities. In the next few hours the Reorg team will publish a detailed contextual covenant and structural analysis for investors. Please contact questions@reorg.com for an in-depth analysis.

Summary Covenant Facts
Financial Calculations The structure and covenant terms of these notes are similar to those of the 2022s. Several new incurrence ratio and basket calculation flexibilities have been introduced in these notes, compared to the 2022s, which could increase incurrence capacity under these notes: ● **Highwater Mark Basket Introduced**: A "high water mark" provision in relation to calculation of grower baskets will be introduced. If the monetary amount of the grower element exceeds the hard cap component as a result of an acquisition at any time on or after Sept. 1, 2021, the hard cap automatically increases to that amount without any downward adjustments during the life of the bond. ● **Cost Savings/Synergies EBITDA Add-Backs**: The time limitation for steps taken, or reasonably expected to be taken, for realization of cost savings and synergies has been increased to 24 months from 18 months (with the removal entirely of the requirement that such savings must be projected to be reasonably anticipated to be achieved within 18 months). ● **Ratio Compliance Permitted As of Date Elected by Issuer:** Under a new provision in these notes, the issuer is permitted to calculate availability under any financial covenant or ratio (including LTM EBITDA and all relevant leverage and coverage ratios) in connection with a wide range of transactions, including portability, as of multiple dates including any date of its election which could either be any date relevant to the transaction as chosen by the Issuer in good faith or the date of any definitive agreement or the date of any commitment or

announcement or notice or consummation of the transaction (the Applicable Test Date). The Issuer could further elect to recalculate any of the covenant applicable metric on the basis of a more recent Applicable Test Date.

Debt

- **Super Senior Debt Incurrence**: The group can incur an additional €63.4 million of super senior credit facility debt at issuance (based on the grower of 85% of LTM EBITDA using Adjusted EBITDA (pre-IFRS 16) of €151 million as of twelve months ended Aug. 2, 2020 (i.e. €128.35 million)). This is in addition to the new €65 million revolving credit facility to be incurred as of the issue date. Such debt will receive enforcement proceeds ahead of the Notes along with creditors under certain uncapped priority hedging obligations.
- **Effectively Senior Debt**: €489 million of outstanding lease liabilities as of Aug. 2, 2020 exist at issuance. There is limited disclosure in the OM, but assuming these liabilities are secured on non-collateral assets, such debt is effectively senior to the notes.

Restricted Payments

- **Generous "starter" amount** added in the restricted payments build-up basket of €25 million (no such starter amount in the 2022s).
- Restricted payments covenant includes aggressive provision stating that transfers of value from unrestricted subsidiaries ("URS") will not be deemed to be a "direct or indirect" action; **this allows all value transferred to URS to be dividended or otherwise distributed to equity**. Effectively it converts investment capacity into dividend capacity and was included in the 2022s.
- **Leverage ratio test for making Restricted Payments starts 1.75x and then increases to 2.25x**: Leverage-based restricted payments are permitted subject to pro forma consolidated total net leverage ratio not exceeding 2.25x (for periods where the LTM EBITDA determination includes the second fiscal quarter of 2021 and thereafter) or 1.75x for all prior periods. There is no capacity at issue to access this basket as consolidated total net leverage at issue is 2.15x (per the OM disclosure).

Change of Control

- **Portability Available at Issuance**: One-time portability is available if pro forma consolidated total net leverage ratio is 2.9x or less (decreased from 3.9x in the 2022 notes). Given consolidated total net leverage ratio at issue is 2.15x, portability is available at issue.

Debt Explained's legal analysts will separately publish a thorough analysis of the covenants, structure and the legal loopholes in the next few hours. For regulatory reasons, this tear sheet contains only key covenant facts and basket capacities. *Please email questions@reorg.com to request a copy of the in-depth analysis.*

How Much Leverage Can Be Added over Time?
€232.2 million of additional debt capacity at issuance excluding ratio baskets.

Ratio Debt	2.0 Fixed Charge Coverage Ratio Senior Secured Debt Incurrence: • 2.9x Consolidated Senior Secured Net Leverage Ratio for periods where LTM EBITDA determination includes the second fiscal quarter of 2021 and thereafter • 2.4x for prior periods

	€37.8M (0.25x of leverage given opening net leverage of 2.15x)
Minimum Debt Capacity at Issue[1]	€232.2M (equivalent of 1.54x of leverage). • CF Basket Headroom - €63.4M • CLO/PMO - Greater of €44M and 35% LTM EBITDA (€52.8M) • General Debt - Greater of €44M and 35% LTM EBITDA (€52.8M) • Debt for Local lines of credit, overdraft facilities, bilateral facilities or local working capital facilities - €30M • Management Advances - €3M • Guarantees of debt of franchisees - Greater of €25M and 20% LTM EBITDA (€30.2M) Note debt incurred by non-guarantors capped at greater of €125M and 100% LTM EBITDA (€151M) for debt incurred under the following baskets: (i) ratio debt basket; (ii) credit facility basket; (iii) contribution debt basket, (iv) general debt basket and (v) local lines of credit basket.
Headroom under the Credit Facility Basket at Issue	€63.4M • Greater of €125m and 85% LTM EBITDA (€128.3M). ○ €65 million RCF is deemed to have been incurred under the basket • For any period in which LTM EBITDA used in such determination includes the second fiscal quarter of 2021 and thereafter, 100% of LTM EBITDA.
Value Extraction through Restricted Payments or Permitted Investments	
Build-Up Basket Start Date	01/07/2020
Starter Amount in the Build-Up Basket	Yes - €25M
Any Accrued Build-Up Basket Capacity	N/A
Ratio-capped baskets	Ratio-capped Restricted Payments: • 2.25x pro forma Consolidated Total Net Leverage Ratio for periods where the LTM EBITDA determination includes the second fiscal quarter of 2021 and thereafter • 1.75x for all prior periods Ratio-capped Junior debt repayments: N/A Ratio-capped Permitted Investments: N/A
Minimum Restricted Payments (payments to equity)	€203.8M (1.35x of leverage) • Free and Clear Amount in CNI build-up basket - €25M

[1] This aggregate does not include any amounts that will be available under the 2x FCCR ratio test mentioned above

	• General Restricted Payments - Greater of €50m and 35% LTM EBITDA (€52.8M) • Dividends/distributions/loans/advances to any Parent Entity - €21M (€3M/calendar year) • Equity Repurchases - €52.5M (€7.5M/calendar year) • Sponsor Fees - €52.5M (€7.5M/year)
Minimum Permitted Investments at Issue	€116.2M (0.77x of leverage) • General Permitted Investments - Greater of €65m and 45% LTM EBITDA (€67.9M) • Investments in franchisees/franchised stores/joint ventures/similar entities and unrestricted subsidiaries - Greater of €45m and 30% LTM EBITDA (€45.3M) • Management Advances- €3M
Risk of Value Leakage from Asset Sales proceeds	
Can Asset Sale proceeds create Restricted Payments capacity?	No
Risk of Effectively Senior Debt (Secured on non-Collateral)	
Ratio-capped Permitted Liens	N/A
Minimum Permitted Liens at Issue	€113.1M (0.75x of leverage) • General Permitted Liens - Greater of €30M and 20% LTM EBITDA (€30.2M) • CLO/PMO - Greater of €44M and 35% LTM EBITDA (€52.8M) • Debt for Local lines of credit, bilateral/local working capital facilities - €30M
Risk of Collateral Dilution	
Ratio-capped Permitted Collateral Liens	• 2.9x Consolidated Senior Secured Net Leverage Ratio for periods where LTM EBITDA determination includes the second fiscal quarter of 2021 and thereafter • 2.4x for prior periods €37.8M (0.25x of leverage given opening net leverage of 2.15x)
Minimum Permitted Collateral Liens at Issue	€214.1M (1.42x of leverage) • CF Basket Headroom - €63.4M • CLO/PMO - Greater of €44M and 35% LTM EBITDA (€52.8M) • General Debt - Greater of €44M and 35% LTM EBITDA (€52.8M) • Debt for Local lines of credit, overdraft facilities, bilateral facilities or local working capital facilities - €30M • General (ordinary course) Permitted Collateral Liens - Greater of €12.5M and 10% LTM EBITDA (€15.1M)

Minimum Permitted Super Senior Collateral Liens	€63.4M (0.42x of leverage) • CF Basket Headroom - €63.4M • Certain uncapped priority hedging obligations
Portability	
Portability	Single-use Ratio Based Portability
Portability Ratio test	2.9x Consolidated Total Net Leverage Ratio (*available at issuance*)
Cost Savings/Synergies Adjustments	
Are Cost Savings / Synergies capped?	No
Any time horizon for Cost Savings / Synergies to be realised?	24 months for steps taken, or reasonably expected to be taken, for realization of cost savings and synergies
Cost Savings / Synergies limited to certain contexts	Broadly applied
Credit Support	
Guarantor Coverage on Issue	• 93% of EBITDA • 76% of Total Assets • 95% of Revenue
Security Coverage	**Capital Stock** Of the Issuer (i.e. Maxeda DIY Holding B.V.) and each guarantor (entire issued share capital of Maxeda DIY B.V., Praxis Groep B.V., Praxis Doe-het Zelf-Center B.V. and Brico Belgium N.V., 99.99% of the issued capital stock of PLAN IT N.V. and 99.999% of the issued capital stock of Brico Plan-it N.V.). **Certain Bank Accounts and Intercompany Receivables** Certain bank accounts of the Issuer and each guarantor Certain structural intercompany receivables of the Issuer and each guarantor, including, but not limited to, the intercompany receivables of the Issuer owed to Maxeda DIY Group B.V. **Movable property, inventory and/or goodwill** Restricted to moveable assets owned by guarantors incorporated in the Netherlands

A capital structure, prepared by Reorg's financial analysts, is below:

Maxeda Capital Structure						
						EBITDA Mutliple
(EUR in Millions)	02-Aug-20	Change	Pro Forma	Maturity	Rate	Book
€65M Super Senior RCF due 2022	-	-	-	31-Jan-22	E+Margin	
Total Super Senior Secured Bank Debt	**-**	**-**	**-**			**0.0x**
€435M Senior Secured Notes due 2022	435.0	(435.0)	-	15-Jul-22	6.125%	
New €400M Senior Secured Notes	-	400.0	400.0	2026		
Total Senior Secured Notes	**435.0**	**(35.0)**	**400.0**			**2.6x**
Total Debt, pre IFRS-16	**435.0**	**(35.0)**	**400.0**			**2.6x**
(-) Cash and Cash Equivalents	(176.0)	102.0	(74.0)			
Net Debt, pre IFRS-16	**259.0**	**67.0**	**326.0**			**2.2x**
(+) IFRS-16 Lease Liabilities	489.0	-	489.0			
Net Debt, post IFRS-16	**748.0**	**67.0**	**815.0**			
Liquidity:						
Cash and Cash Equivalents	176.0		74.0			
RCF Commitments	65.0		65.0			
(-) Drawn	-		-			
(-) Letters of Credit	-		-			
Total Liquidity	**241.0**		**139.0**			
Operating Metrics						
Reported EBITDA, post IFRS-16	240.0					
Reported EBITDA, pre IFRS-16	151.0					
Credit Metrics						
Gross Leverage, pre IFRS-16	2.65x					
Net Leverage, pre IFRS-16	2.16x					

Note 1 - Capital structure is pre-IFRS-16, as per the applicable covenants related to the new €400M SSNs.
Note 2 - EBITDA is the company's pre IFRS-16, adjusted figure, as reported, calculated on an LTM basis.
Note 3 - New €400M notes are 6Y NC-2 SSNs.
Note 4 - Cash and equivalents is €74M, reflecting the payment of deferred payments and costs of the refinancing, excluding impact of deferred payments, cash and cash equivalents were €124M.
Note 5 - RCF margin subject to margin ratchet. Opening margin was 3.5%.
Note 6 - SSNs rank below RCF and certain other indebtedness in enforcement.

Please contact Reorg at questions@reorg.com if you wish to speak to the legal analyst or credit analyst who prepared the above tear sheet for you. We actively welcome your questions and feedback.

Reorg will also publish an in-depth covenant report and credit analysis tear sheet on this bond. We are happy to share our comprehensive legal and financial analysis with you, just email questions@reorg.com for a copy.

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