Tear Sheet: Engineering Group's €605M 2026 SSNs

Engineering Group, an Italian provider of IT services, software development and marketing platforms, has launched a €605 million offering of two year non-call senior secured notes due 2026 (the "Notes") issued by Centurion Bidco S.p.A. (the "Issuer").

Notes proceeds, alongwith €38.4 million in new term loans and cash on balance sheet, will be used to repay in full and cancel the €640 million bridge facility incurred to finance the acquisition of Engineering Ingegneria Informatica S.p.A. (the "Company") by Bain Capital and Neuberger Berman in July 2020.

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 figure of €183.1 million as of twelve months ended June 30, 2020. Ratio calculations are post-IFRS unless otherwise indicated.

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
• The Issuer can cherry pick whether to use pre- or post-IFRS 16 figures for *each* covenant capacity calculation. For instance, it could choose to use pre-IFRS 16 figures for the net leverage ratio tests but use post IFRS 16 figures for calculating EBITDA growers and the senior secured net leverage ratio. This could make the leverage-based restricted payments basket easier to access. Post-IFRS 16 figures at issuance and as disclosed in the OM indicated a 4.3x net leverage ratio with pre-IFRS 16 figures indicating a 3.8x ratio. • The Issuer has the ability to incur an additional approximately €304.7 million of additional senior secured debt under the ratio debt permission at issuance. It can further incur and secure on the collateral another €235 million of senior secured debt under the other debt baskets. • The 50% CNI component of the Restricted Payments build-up basket can not be less than zero, regardless of deficit CNI. This means losses over the period will not reduce capacity. • At issue, the Notes will not be guaranteed. Between the issue date and completion of the merger of the Issuer with the Company (the "post-completion merger"), the Notes will not be guaranteed. If the post completion merger does not complete, the Company is required to provide credit support, subject to Italian law restrictions. Note that in the absence of the post-completion merger, there is a possibility that the Notes are not guaranteed at all. • While the RCF lenders (€160 million at issue) guarantee position will be similar to that of the Notes, if the post-completion merger does not occur by July 23, 2021 the Company is required to guarantee the RCF ahead of the Notes. The RCF would be guaranteed within 30 business days of July 23, 2021, whereas the Notes and the €38.4 million new term loan are required to be guaranteed by (approximately) April 2022 which is eighteen months from the issue date of the Notes. • None of the subsidiaries of the Company or the post-merger entity will guarantee the Notes, increasing risk of structural subordination as debt baskets (except the Ratio and Contribution debt baskets which are subject to a cap) can be utilized by non-guarantors. This is in addition to the €7.4 million of structurally senior third party debt already outstanding as of the date of 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? €613.9M of total debt headroom, excluding headroom under 2x FCCR ratio	
Ratio Debt	● 2.0x Fixed Charge Coverage Ratio ● Senior Secured Debt Incurrence: 5.0x Consolidated Senior Secured Net Leverage Ratio (headroom of €304.7M or 1.7x of EBITDA given senior secured net leverage ratio of 3.3x at issuance. Even though the issuer has the option to choose pre-IFRS 16 accounting, the ratio would be higher on a pre-IFRS 16 basis since EBITDA will fall but secured net debt would remain the same).
Minimum Debt Capacity at Issue[1]	€309.2M (equivalent to 1.7x turns of leverage) ● CF Basket Headroom - €23M ● CLO/PMO - Greater of €55M and 30% Cons. EBITDA ● Recourse QRT - Greater of €28M and 15% Cons. EBITDA ● Acquisition/Acquired Debt - Greater of €37M and 20% Cons. EBITDA ● General Debt - Greater of €73M and 40% Cons. EBITDA (€73.2M) ● NGRS/guarantees of joint venture - Greater of €37M and 20% Cons. EBITDA ● Management Advances - Greater of €19M and 10% Cons. EBITDA ● Local lines\working capital facilities - Greater of €37M and 20% of Cons. EBITDA Not included in the aggregate above, non-guarantor restricted subsidiaries may incur upto the greater of €37M and 20% Cons. EBITDA on account of the ratio debt plus contribution debt baskets.
Headroom under the Credit Facility Basket at Issue	€23M
Value Extraction through Restricted Payments or Permitted Investments	
Build-Up Basket Start Date	July 01, 2020
Starter Amount in the Build-Up Basket	Yes - €20M
Any Accrued Build-Up Basket Capacity	N/A
Ratio-capped baskets	Ratio-capped Restricted Payments: 3.25x Consolidated Net Leverage Ratio

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

	(No headroom given opening ratio at 4.3x based on post-IFRS 16 figures and as disclosed in the OM, although the issuer can elect to use pre-IFRS 16 figures which would indicate a 3.8x net leverage ratio at issuance) Ratio-capped Junior debt Repayments: N/A Ratio-capped Permitted Investments: N/A
Minimum Restricted Payments (payments to equity)	€518.1M (equivalent to 2.8x of leverage) • Free and Clear Amount in build-up basket - €20M • Equity Repurchases - €133M (Greater of €19M and 10% Cons. EBITDA/year (pre-IPO) and greater of €28M and 15% Cons. EBITDA/year (post-IPO), in each case, with one-year carry forward) • Parent Expenses - €98M (Greater of €14M and 7.5% Cons. EBITDA/FY with one-year carry forward and back) • Permitted Holder Fees - €70M (Greater of €10M and 5% of Cons. EBITDA/year with one-year carry forward) • Advances to employees/equity plans to purchase equity of Issuer - €133M (Greater of €19M and 10% Cons. EBITDA/year with one-year carry forward) • General Restricted Payments - Greater of €64M and 35% Cons. EBITDA (€64.1M)
Minimum Permitted Investments at Issue	€211.3M (equivalent to 1.2x of leverage) • Management Advances - Greater of €19M and 10% Cons. EBITDA • Investments in JVs/Similar Businesses - Greater of €64M and 35% of Cons. EBITDA (€64.1M) • Investments in JVs/Unrestricted Subsidiaries - Greater of €64M and 35% of Cons. EBITDA (€64.1M) • General Permitted Investments - Greater of €64M and 35% Cons. EBITDA (€64.1M)
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	€193.2M (1.1x of leverage) • CLO/PMO - Greater of €55M and 30% Cons. EBITDA • Acquisition/Acquired Debt - Greater of €37M and 20% Cons. EBITDA • Recourse Qualified Receivables Financings - Greater of €28M and 15% Cons. EBITDA • General Permitted Liens - Greater of €73M and 40% Cons. EBITDA

	(€73.2M)
Risk of Collateral Dilution	
Ratio-capped Permitted Collateral Liens	5.0x Consolidated Senior Secured Net Leverage Ratio (headroom of €304.7M or 1.7x of EBITDA)
Minimum Permitted Collateral Liens at Issue	€235M (1.1x of leverage) ● CF Basket Headroom - €23M ● Acquisition/Acquired Debt - Greater of €37M and 20% Cons. EBITDA ● CLO/PMO - Greater of €55M and 30% Cons. EBITDA ● General Debt - Greater of €73M and 40% Cons. EBITDA (€73.2M) ● Local lines\working capital facilities - Greater of €37M and 20% Cons. EBITDA ● Ordinary Course Permitted Collateral Liens (not incurred in connection with the borrowing of money) - Greater of €10M and 5% Cons. EBITDA
Minimum Permitted Super Senior Collateral Liens	€23M (0.1x of leverage) ● CF Basket Headroom - €23M ● Certain uncapped priority hedging obligations
Portability	
Portability	No
Portability Ratio test	N/A
Cost Savings/Synergies Adjustments	
Are Cost Savings / Synergies capped?	Yes - 25% of Cons. EBITDA
Any time horizon for Cost Savings / Synergies to be realised?	36 months
Cost Savings / Synergies limited to certain contexts	Broadly applied
Credit Support	
Guarantor Coverage on Issue	The Company represented, for the 12 months ended June 30, 2020: ● 63% of consolidated Adjusted EBITDA ● 72% of revenue And, as of December 31, 2019: ● 91% of total assets
Security Coverage	Collateral is limited to structural security, and does not include any hard assets.

	On the date of issue: Issue Date Collateral consisting of (i) all shares of the Issuer held by Centurion Newco S.p.A (ii) any structural intercompany receivables owed to Centurion Newco S.p.A by the Issuer (iii) material bank accounts of the Issuer held in Italy (without control over use) (iv) entire issued share capital of the Company held by the Issuer and (v) structural intercompany receivables owed to Issuer by the Company, including under a certain Funding Loan (€114.4 million intercompany loan provided to refinance debt of the Company). Within 10 business days from merger of Issuer and Company resulting in creation of MergerCo as the surviving entity: Post Merger Collateral consisting of (i) all shares of MergerCo and shares in certain direct wholly-owned material subsidiaries of MergerCo (ii) structural intercompany receivables owed to each holding company by MergerCo, and owed to MergerCo by certain of its direct wholly-owned material subsidiaries and (iii) MergerCo's material bank accounts held in Italy (without control over use) which have been previously pledged in favor of secured parties. If the merger does not occur within 12 months of the date of issue: Company Collateral consisting of pledges over intercompany receivables owed to the Company by material subsidiaries and pledges over shares of these subsidiaries (within 20 business days).

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

Engineering Group SpA				
	06/30/2020			EBITDA Multiple
(EUR in Millions)	Amount	Maturity	Rate	Book
€160M Super Senior Secured Revolving Credit Facility [1]	-			
Total Super Senior Secured Bank Debt	-			
New - €38.4M Senior Secured Term Loan due 2027 [2]	38.4	Jan-2027	E + 5.000%	
Offered Hereby - €605M Senior Secured Notes due 2026	605.0	2026		
Total Senior Secured Debt	**643.4**			**3.5x**
€15M Unsecured BPM Term Loan Facility due 2024 [3]	-	Jun-2024		
€20M Unsecured Working Capital Facility [4]	7.9			
Total Other Debt	**7.9**			**3.6x**
Lease Liability	169.8			
Total Lease Liabilities	**169.8**			**4.5x**
Total Debt	**821.1**			**4.5x**
Less: Cash and Equivalents	(32.6)			
Net Debt	**788.5**			**4.3x**
Operating Metrics				
LTM Reported EBITDA	183.1			
Liquidity				
RCF Commitments	160.0			
Less: Drawn	-			
Plus: Cash and Equivalents	32.6			
Total Liquidity	**192.6**			
Credit Metrics				
Gross Leverage	4.5x			
Net Leverage	4.3x			

Notes:
Capitalization is pro forma for the €605M SSN issuance, €38.4M SS term loan issuance, and refinancing of the bridge facilities. Capitalization excludes €216.5M of deeply subordinated secured pay-if-you-want PIK notes due 2028 (subordinated to all borrowings of the group, trade payables and lease obligations).
1. Super senior in the event of enforcement of the collateral.
2. Senior secured term loan and senior secured notes rank pari passu.
3. Facility is unguaranteed.
4. Uncommitted and Unguaranteed.

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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.