Tear Sheet: Profine's €330M 2025 Senior Secured Notes

Today, June 22, German window and door profile systems producer Profine launched a five-year €330 million non-call two senior secured bond, with proceeds to be used to refinance existing credit facilities.

Ratings for the business are expected to be in the low single Bs. Initial price talk for the issuance is in the low to mid-9% range. Calls will be held until Thursday morning, with pricing following after.

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

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 Greater of €50 million and 53% of Consolidated EBITDA Credit facility debt basket will be exceeded on the Issue Date. The RCF committed amount is €55 million, including €15 million under a bridge facility. • Treatment of amounts to be drawn under the Bridge Facility on the Issue Date is unclear in the Capitalization table. Whilst the expected amount to be drawn at issue (€10m) has been used to boost C/CE in the adjusted figures, the equivalent amount has not been included as a liability under the RCF Agreement. When calculating "Indebtedness" for the purposes of the covenants, all amounts outstanding under the RCF Agreement will need to be taken into account, including this €10m draw down under the Bridge Facility. When the Bridge facility is repaid, it will create capacity under the Credit facility debt basket (subject to further increase due to the EBITDA-based "grower"). • Up to €5 million of hedging obligations that are not interest or currency rate hedging obligations can be secured on a super priority basis. • Pro forma "run-rate" cost savings and synergies will be from a wide range of transactions, but capped at 20% of pro forma Cons. EBITDA (calculation made *after* giving effect to such cost savings and synergies) and limited to those arising within 18 months of the relevant transaction/event. The 18-month period can start ticking from the formal initiation of such action, which could result in a period that is much longer than 18 months. • The Notes could potentially be redeemed using the equity claw (instead of make-whole premium) during the non-call period from proceeds of debt securities contributed to the restricted group as equity or subordinated shareholder debt. ***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.*

Calculations based on adjusted LTM run rate adjusted EBITDA of €96.9 million. Senior secured net leverage to estimated run rate adjusted EBITDA is 3.1x pro forma for the issuance.	
How Much Leverage Can Be Added over Time? *€52M of additional debt capacity at issue under ratio debt excluding headroom under the 2x FCCR ratio test*	
Ratio Debt	2.0x Fixed Charge Coverage Ratio 3.5x Senior Secured Net Leverage Ratio
Minimum Debt Capacity at Issue[1]	€52M (equivalent to 0.54x turns of leverage) • CLO/PMO - Greater of €25M and 26% Cons. EBITDA • Local credit/working capital facilities - Greater of €10M and 10% Cons. EBITDA • General Debt - €15M • Management Advances - €2M
Headroom under the Credit Facility Basket at Issue	€0M
Value Extraction through Restricted Payments or Permitted Investments	
Build-Up Basket Start Date	April 1, 2020
Starter Amount in the Build-Up Basket	No
Any Accrued Build-Up Basket Capacity	N/S
Ratio-capped baskets	Ratio-capped Restricted Payments: 2.0x Consolidated Net Leverage Ratio €164.7M (equivalent to 1.7x below opening leverage) Ratio-capped Junior debt repayments: N/A Ratio-capped Permitted Investments: N/A
Minimum Restricted Payments (payments to equity)	€47M (equivalent to 0.49x turns of leverage) • Equity Repurchase - €12M (€2M/calendar year) • Parent Expenses - €3M (€0.5M/FY) • Advances/loans to management equity plan/stock option plan - €2M • General RPs - Greater of €20M and 21% Cons. EBITDA
Minimum Permitted Investments at Issue	€39M (equivalent to 0.40x turns of leverage)

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

	• Management Advances - €2M • Advances/loans to management equity plan/stock option plan - €12M (€2M/calendar year) • General PIs - Greater of €25M and 26% Cons. EBITDA
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	€50M (equivalent to 0.52x turns of leverage) • CLO/PMO - Greater of €25M and 26% Cons. EBITDA • Local credit/working capital facilities - Greater of €10M and 10% Cons. EBITDA • General PLs - Greater of €15M and 16% Cons. EBITDA
Risk of Collateral Dilution	
Ratio-capped Permitted Collateral Liens	3.5x Senior Secured Net Leverage Ratio €38.7M (equivalent to 0.40x turns of leverage)
Minimum Permitted Collateral Liens at Issue	€30M (equivalent to 0.31x turns of leverage)
Minimum Permitted Super Senior Collateral Liens	€55M (equivalent to 0.57x turns of leverage)
Portability	
Portability	N/A
Portability Ratio test	N/A
Cost Savings/Synergies Adjustments	
Are Cost Savings / Synergies capped?	Yes
Any time horizon for Cost Savings / Synergies to be realised?	18 months
Cost Savings / Synergies limited to certain contexts	Broadly applied

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Credit Support	
Guarantor Coverage on Issue	• 81.4% of EBITDA • 72.5% of Total Assets
Security Coverage	Includes security over: • Shares in the Issuer and each Guarantor (other than SAO profine RUS); • Structural loans owed by the Issuer to its holding companies; • Certain intercompany receivables owed to the Issuer and each Guarantor (other than SAO profine RUS); • Certain bank accounts and real property of the Issuer and profine GmbH; • Certain current and fixed assets and trade receivables (to the extent not covered under factoring agreements) of profine GmbH.
Covenant Outliers	
Deal Outliers	None

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

Profine

(EUR in millions)	31/03/2020	Adjustments	Pro-Forma	Rate	Maturity	Adj. EBITDA Multiple
New €55M Revolving Credit Facility due 2025	-	-	-	E+3.250%	2025	
Total Senior Secured Bank Debt - 1st Lien	-	-	-			**0.0x**
€330M Senior Secured Notes due 2025	-	330.0	330.0	E+3.000%	2022	
Total Senior Secured Bond Debt	-	**330.0**	**330.0**			**3.4x**
Existing Senior Facility due 2020	358.4	(358.4)	-	E+3.000%	Dec-20	
Total Existing Senior Facilities	**358.4**	**(358.4)**	-			**3.4x**
€11M French State Bilateral Loan	-	11.0	11.0	0.00%	2021	
€1.5M Spanish State Bilateral Loan	-	1.5	1.5	1.50%	2022	
€3.5M Spanish State Bilateral Loan	-	3.5	3.5	1.59%	2023	
€1.5M Spanish State Bilateral Loan	-	1.5	1.5	1.60%	2023	
£0.05M UK State Bilateral Loan	-	0.1	0.1			
Total Unsecured Bilateral Loans	-	**17.6**	**17.6**			**3.6x**
Other Debt	4.5	-	4.5			
Total Other Debt	**4.5**	-	**4.5**			**3.6x**
IFRS 16 Lease Liabilities	41.4	-	41.4			
Total Lease Liabilities	**41.4**	-	**41.4**			**4.1x**
Gross Debt	**404.3**	**(10.8)**	**393.5**			**4.1x**
Cash and Cash Equivalents	(28.8)	(5.6)	(34.4)			
Net Debt	**375.5**		**359.1**			**3.7x**
12% Subordinated Shareholder Loan	-	17.6	17.6	12.00%	2026	
Adjusted Net Debt	**375.5**	**17.6**	**376.7**			**3.9x**
Operating Metrics						
LTM Adjusted EBITDA	87.6					
LTM Run Rate Adjusted EBITDA	96.9					
Liquidity:						
RCF Commitments			62.6			
Less: Drawn			(17.6)			
Plus: Cash and Cash Equivalents			34.4			
Total Liquidity			**79.4**			
Credit Metrics						
Gross Leverage	4.2x		4.1x			
Net Leverage	3.9x		3.7x			

Note 1 - Capital structure pro forma for €330M notes issuance, it is post IFRS-16.
Note 2 - Credit metrics exclude the €17.6M shareholder loan and use run rate adjusted EBITDA as the denominator.
Note 3 - New €55M RCF ranks senior to notes in event of distressed disposal or enforcement. Includes €15M short-term back-stop facility until Dec. 31.
Note 4 - €330M secured by same collateral as €55M RCF, ranking second priority in event of enforcement of collateral or distressed disposal.
Note 5 - Capital structure excludes €18.65M of non-recourse receivables factoring.
Note 6 - Cash includes €10M drawn from the bridge facility under the short-term bridge-to-factoring facility under the new RCF on the Issue date.
Note 7 - Liquidity excludes €10M drawn under the short-term bridge facility, drawn as of issue date.

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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.