Tear Sheet: Renk's €300M 2025 Senior Secured Notes

German drive technologies manufacturer Renk has launched a €300 million five-year senior secured bond with a two-year non-call period and expected ratings of B1/B by Moody's and S&P. The proceeds will be used to support the acquisition of a controlling 76% stake in Renk by private equity firm Triton from Volkswagen Vermögensverwaltungs-GmbH, a subsidiary of Volkswagen AG. The deal roadshow ends on Thursday, July 2, with pricing thereafter.

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. Reorg team will also publish a detailed contextual covenant and structural analysis for investors. Please contact questions@reorg.com for an in-depth analysis.

Summary Covenant Facts
• Ratio for incurrence of senior secured debt under the Ratio Debt Basket is set at 0.26x above opening Consolidated Senior Secured Net Leverage Ratio (CSSNLR) providing capacity for incurrence of additional senior secured indebtedness at issue. • Off-market "*one time significant transaction*" permitted to be secured on the Collateral under the Acquired Debt/Acquisition Debt basket where the CSSNLR is 3.5x or less (or not made worse) (ie 0.5x higher than the generally applicable CSSNLR limit for this basket). Given opening leverage for CSSNLR of 2.74x, the generally applicable limit and the one-off basket are available for use at issuance. • A "freebie" basket of the greater of €25 million and 29% Cons. EBITDA is available to Renk in the Acquired Debt/Acquisition Finance Debt Basket. • The group's Consolidated Net Leverage Ratio (CNLR) is 2.81x at issue - at this level, there is less than a turn of deleveraging needed for Renk to access its 2x CNLR based restricted payments basket. • All debt incurred under the permitted debt baskets (other than ratio-based Acquired Debt/Acquisition Debt) on the calculation date of an incurrence ratio will be disregarded except for the purposes of the ratio-based restricted payments basket. • Prior to the Control Date, there can be no assurance that the Target and its subsidiaries will not take any action that would otherwise have been prohibited by the covenants. • The short-term €40 million shareholder loan being provided as a bridge to an upstream loan from Target, is expected to be repaid in 2021 through a dividend to the Sponsor. It is not clear that the dividend will not be permitted (and the shareholder loan will not be repaid) if the Control Date does not take place and/or if the upstream loan from the Target is not made. Note that the Cash/Cash Equivalents figure in the Capitalization table is stated to be adjusted for the payment of this dividend (together with an ordinary dividend payment for the FY 2019 of €15 million expected to be paid in June 2020) and when calculating ratios under the Indenture an amount of cash equal to €40 million less the actual amount of cash distributed in connection with the transactions shall be deemed to have been distributed. • Guarantees and security (other than the escrowed proceeds and certain structural security) will be provided after the Control Date. While it is intended that the Target and certain of its subsidiaries will provide credit support, there is no guarantee that the Control Date will occur. As the requirement for the Target and its subsidiaries to provide guarantees and security under the Super Senior Facilities Agreement starts ticking from the Acquisition Closing Date therefore, prior to the Control Date, Lenders

under the Super Senior Facilities Agreement may benefit from a greater level of credit support than Noteholders. ● If the Acquisition does not complete by June 30, 2021, the Notes will be subject to special mandatory redemption at 100% of issue price (plus accrued and unpaid interest and additional amounts, if any). Whilst any shortfall will be funded by the Sponsors pursuant to an equity commitment letter, Noteholders will have no direct recourse to the Sponsors as the commitment is provided to the Isser. *Many of the "growers" are slightly higher than the hard caps at the time of issuance. We have used the hard caps for purposes of this Tear Sheet.* ***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? *€131.5M of total debt headroom and an additional €22.7M of senior secured debt capacity, excluding headroom under fixed charge coverage ratio*	
Ratio Debt	2x Fixed Charge Coverage Ratio (*Capacity unknown: unable to calculate due non-disclosure of pro forma fixed charges*) Senior Secured Debt: 3x Senior Secured Net Leverage Ratio (€22.7M of headroom as of March 31, 2020, or 0.26x of headroom)
Minimum Debt Capacity at Issue[1]	€131.5M (equivalent of 1.51x of EBITDA) ● CF Basket Headroom - €27.5M ● General Debt - Greater of €25M and 29% Cons. EBITDA ● CLO/PMO - Greater of €40M and 46% Cons. EBITDA ● "Freebie" Acquired/Acquisition Finance debt - Greater of €25M and 29% Cons. EBITDA ● Local Credit Facilities - Greater of €10M and 12% Cons. EBITDA ● Guarantees of any management equity/stock option plan - Greater of €2M and 2% Cons. EBITDA ● Management Advances - Greater of €2M and 2% Cons. EBITDA NGRS debt cap for: ● Ratio debt - greater of €20M and 23% Cons. EBITDA ● General Debt basket - €15M and 18% Cons. EBITDA
Headroom under the Credit Facility Basket at Issue	€27.5M
Value Extraction through Restricted Payments or Permitted Investments	
Build-Up Basket Start Date	01/06/2020

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

Starter Amount in the Build-Up Basket	N/A
Any Accrued Build-Up Basket Capacity	N/A
Ratio-capped baskets	Ratio-capped Restricted Payments: 2.0x Consolidated Net Leverage Ratio (no headroom available, net leverage of 2.8x). Ratio-capped Junior debt repayments: N/A Ratio-capped Permitted Investments: N/A
Minimum Restricted Payments (payments to equity)	€67M (equivalent to 0.77x EBITDA) ● General RPs - Greater of €25M and 29% Cons. EBITDA ● Equity Repurchases from Management Investors - €12M (€2M plus €2M multiplied by the number of calendar years that have commenced since the Issue Date) ● Loans/advances in connection with management equity/stock option plans - €12M (€2M/calendar year) ● Parent Expenses - €12M (Greater of €2M and 2% Cons. EBITDA/FY) ● Permitted Holder Fees - €6M (Greater of €1M and 1% Cons. EBITDA/12-month period)
Minimum Permitted Investments at Issue	€27M (equivalent to 0.31x EBITDA) ● General PIs - Greater of €25M and 29% Cons. EBITDA ● Management Advances - Greater of €2M and 2% 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	€142.5M (equivalent to 1.64x EBITDA) ● CF Basket Headroom - €27.5M ● General Debt - Greater of €25M and 29% Cons. EBITDA ● CLO/PMO - Greater of €40M and 46% Cons. EBITDA ● "Freebie" Acquired/Acquisition Finance debt - Greater of €25M and 29% Cons. EBITDA ● General PLs - Greater of €25M and 29% Cons. EBITDA

Risk of Collateral Dilution	
Ratio-capped Permitted Collateral Liens	3.0x Senior Secured Net Leverage Ratio (€22.7M of headroom as of March 31, 2020, or 0.26x EBITDA)
Minimum Permitted Collateral Liens at Issue	€157.5M (equivalent to 1.81x EBITDA) ● CF Basket Headroom - €27.5M ● CLO/PMO - Greater of €40M and 46% Cons. EBITDA ● General Debt - Greater of €25M and 29% Cons. EBITDA ● CLO/PMO (covering only assets acquired/improved) - Greater of €40M and 46% Cons. EBITDA ● "Freebie" Acquired/Acquisition Finance debt - Greater of €25M and 29% Cons. EBITDA
Minimum Permitted Super Senior Collateral Liens	€27.5M (equivalent to 0.32x EBITDA) ● CF Basket Headroom = €27.5M ● Certain uncapped priority hedging obligations
Portability	
Portability	No
Portability Ratio test	N/A
Cost Savings/Synergies Adjustments	
Are Cost Savings / Synergies capped?	Yes - 20% of Cons. EBITDA
Any time horizon for Cost Savings / Synergies to be realised?	18 months
Cost Savings / Synergies limited to certain contexts	Broadly applied
Credit Support	
Guarantor Coverage on Issue	● 86% of EBITDA ● 91% of Total Assets ● 86% of Consolidated Sales Revenue
Security Coverage	● At issuance, will comprise security over: the escrow account; receivables owing to HoldCo / any other indirect parent entity of the Issuer in respect of structural loans made to the Issuer; shares in the Issuer; and the Issuer's material bank accounts in Germany and Luxembourg ● Within 5 BDs of the Acquisition Closing Date, the Issuer will grant security over its shares in the Target

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.

	• Within 30 BDs of the Control Date, security will be granted over: the shares in each Guarantor; each Guarantor's material bank accounts in certain covered jurisdictions; and structural intercompany receivables owed by Guarantors

Renk's pro forma capital structure, prepared by Reorg's financial analysts, is below:

(EUR in Millions)	03/31/2020 Amount	Maturity	Rate	EBITDA Multiple Book
€50M Super Senior Secured Cash Revolving Credit Facility [1]	-			
Total Super Senior Secured Bank Debt	-			
€300M Senior Secured Notes due 2025 - Offered Hereby	300.0	2025		
Total Senior Secured Bond Debt	**300.0**			**3.5x**
Other Financial Debt [2]	6.4			
Total Other Debt	**6.4**			**3.5x**
Total Debt	**306.4**			**3.5x**
Less: Cash and Equivalents	(101.8)			
Net Debt	**204.6**			**2.4x**
Plus: Market Capitalization	721.0			
Enterprise Value	**925.6**			**10.6x**
Operating Metrics				
LTM Reported EBITDA	87.0			
Liquidity				
RCF Commitments	50.0			
Plus: Cash and Equivalents	101.8			
Total Liquidity	**151.8**			
Credit Metrics				
Gross Leverage	3.5x			
Net Leverage	2.4x			

Notes:
Capitalization is pro forma for the €300M note issuance (see OM for underlying figures). Cash is the cash and equivalents reported at March 31 adjusted for an ordinary dividend for the financial year 2019 in an expected amount of €15M. Shareholder loans of €86M are excluded from debt calculation. The €46M Shareholder loan 1 matures one year after the final discharge date. No cash payments required to be made prior to the maturity of the notes. The €40M shareholder loan 2 is expected to be repaid by way of dividend to the sponsor in 2021. No cash payments required to be made.
1. The RCF holders have priority over the bondholders in the event of enforcement of the collateral. Excludes €167.5M that can be utilized under the guarantee facility. Facility set to mature 4.5 years after the acquisition closing date.
2. Represents the carrying amount of financial liabilities of the target group as of March 31, 2020.

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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.