Tear Sheet: Thyssenkrupp Elevator's €3B-Equiv Senior Secured Notes

Thyssenkrupp Elevator is launching a series of notes to support the acquisition of the group by Advent and Cinven. The issuance will consist of €750 million seven-year non-call three senior secured notes, €1 billion seven-year non-call one senior secured FRNs, €1.25 billion equivalent-in-dollars seven-year non-call three senior secured notes, €650 million eight-year non-call three senior notes and €400 million equivalent-in-dollars eight-year non-call three-year senior notes. A global roadshow will be taking place until Wednesday, July 1, with pricing thereafter.

This Tear Sheet pertains to the senior secured notes only.

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
These Notes have numerous covenant highlights, below is a high-level overview.

- The "starter" amount in the Build-up Basket is a per financial year amount, this aggregates at least €5.296 billion over the financial years 2020-27 inclusive.

- Ratio-based investments basket allows any investment subject to TNLR or FCCR (alternative tests) being met or not made worse.

- Restricted Payments Capacity created from asset sales in three ways:

    - Specified Asset Disposition basket present allowing dividends from disposals of assets generating 50% of EBITDA in aggregate;
    - Specific RP basket for asset sale proceeds which do not constitute Excess Proceeds - the % of unapplied asset sale proceeds which will constitute Excess Proceeds reduces by reference to a TNLR grid with fall away to 0% at less than 0.5x deleveraging; and
    - Specific RP basket for asset disposition proceeds that are offered in prepayment to noteholders and other senior secured creditors but declined.

- Asset Sale proceeds can be applied to p/repay junior secured / unsecured debt or to make Restricted Payments or Permitted Investments ahead of making any offer to prepay the Notes.

- Ratio and basket calculations riddled with extensive documentary flexibilities which could make actual leverage ratios and capacities differ from reported numbers. This could make accurate assessment of covenant capacities challenging. In particular, debt incurred under any re-drawable facility to finance working capital needs is excluded for ratio calculations, including for the leverage based restricted payments and investments carve-outs; contemporaneous incurrence of non-ratio based permitted debt is not included when calculating leverage ratios, extremely wide flexibility on when to calculate ratios and high water-mark language with respect to the grower baskets.

- Restricted Payments covenant includes express 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.

- EBITDA includes the positive effect of applying IFRS 16 but, conversely, Capitalized Lease Obligations are excluded from Total Debt.

- “Available RP Capacity Amount” concept present allowing capacity under the specified RP baskets to instead be used to incur debt,and such debt can be secured on the Collateral (dilutive) or on non-Collateral Assets (effectively senior) with no applicable senior secured leverage test. At issue, availability would be €1.358 billion but over the life of the Notes the per financial year “starter” amount alone could provide additional capacity in excess of €4.5 billion.

- Contribution Debt Basket set at 200% and can be secured on the Collateral (dilutive) with no senior secured leverage test.

- Substantial scope for incurrence of structurally senior debt, including 0.65x headroom at issue under the total net leverage test for unsecured ratio debt (a non-standard alternative to the 2x FCCR test allowing the group to pick the most favourable from time to time).

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?
€132 million additional senior secured debt capacity at issue under the Senior Secured Net Leverage Ratio
€66 million of additional junior secured debt capacity at issue under the Total Secured Net Leverage Ratio
€860 million of additional unsecured debt capacity at issue under the Consolidated Net Leverage ratio

Ratio Debt	2x Fixed Charge Coverage Ratio or 6.85x Consolidated Net Leverage Ratio - Senior Secured Debt Incurrence: 5x Senior Secured Net Leverage Ratio - Junior Secured Debt Incurrence: 2x Fixed Charge Coverage Ratio or 6.25x Total Secured Net Leverage Ratio Headroom of 0.65x turns,or €860M, of leverage under Consolidated Net Leverage Ratio, 0.1x, or €132M, under senior secured debt incurrence, and 0.05x, or €66M, under junior secured debt incurrence basket.
Minimum Debt Capacity at Issue[1]	€7112M (equivalent of 5.23X turns of leverage)

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

	• CF Basket Headroom - Greater of €1,323M and 100% LTM EBITDA • General Debt - Greater of €662M and 50% LTM EBITDA • CLO/PMO - Greater of €662M and 50% LTM EBITDA • Acquired/Acquisition Finance Debt - Greater of €331M and 25% LTM EBITDA • Local lines/bilateral facilities - Greater of €397M and 30% LTM EBITDA • Other securitization/factorings/receivables - Greater of €662M and 50% LTM EBITDA • Parent Debt: €1,700M for guarantees of Topco notes • NGRS/JV Guarantees - Greater of €331M and 25% LTM EBITDA • Management Advances - Greater of €99M and 7.5% LTM EBITDA • Insurance/general banking arrangements - Greater of €331M and 25% LTM EBITDA • Letters of credit - Greater of €66M and 5% LTM EBITDA • Workers' compensation claims, old-age-part time arrangements, etc.- Greater of €66M and 5% LTM EBITDA • Disqualified Stock - Greater of €132M and 10% LTM EBITDA • Cash bridge facility - €350M ***There is an Available RP Capacity Debt basket in addition to the above that has not been factored in the above aggregate. Please request Reorg's full covenant report for details.***
Headroom under the Credit Facility Basket at Issue	Greater of €1,323M and 100% of LTM EBITDA
Value Extraction through Restricted Payments or Permitted Investments	
Build-Up Basket Start Date	N/A
Starter Amount in the Build-Up Basket	€5296M (greater of €662M and 50% of LTM EBITDA per financial year)
Any Accrued Build-Up Basket Capacity	N/A
Ratio-capped baskets	Ratio-capped Restricted Payments: 5.35x Total Secured Net Leverage Ratio (No headroom given opening TSNLR at 6.2x) Ratio-capped Junior debt repayments: 6.35x Total Secured Net Leverage Ratio (Headroom of 0.15x turns of leverage given opening TSNLR at 6.2x) Ratio-capped Permitted Investments: 6.25x Total Net Leverage Ratio or not made greater; or 2x Fixed Charge Coverage Ratio or not made lower (Headroom of 0.05x turns of leverage given opening TNLR of 6.2x)
Minimum Restricted Payments (payments to equity)	€10.407B (equivalent to 7.87x leverage) • Free and Clear Amount in CNI build-up basket - €5296M (Greater of €662M and 50% LTM EBITDA/FY)

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	• Permitted Holder Fees - €528M (Greater of €66M and 5% LTM EBITDA/FY) • Dividends/loans to any Parent Entity - €528M (Greater of €66M and 5% LTM EBITDA/FY) • Subordinated Indebtedness - €3176M (Greater of €397M and 30% LTM EBITDA/FY) • Cash Bridge Facility - €350M (reduced by any amounts used for debt incurrence under the same basket) and • General RPs - greater of €529M and 40% LTM EBITDA
Minimum Permitted Investments at Issue	€1422M (equivalent to 1.07x leverage) • Management Advances - Greater of €99M and 7.5% LTM EBITDA • Investments in JVs/Similar Businesses - Greater of €397M and 30% LTM EBITDA • Investments in Unrestricted Subsidiaries - Greater of €397M and 30% LTM EBITDA • General PIs - Greater of €529M and 40% LTM EBITDA
Risk of Value Leakage from Asset Sales proceeds	
Can Asset Sale proceeds create Restricted Payments capacity?	Yes This can be achieved in three ways: • Specified Asset Disposition basket allowing dividends from disposals of assets generating 50% of EBITDA in aggregate; • Specific RP basket for asset sale proceeds which do not constitute Excess Proceeds - % of unapplied asset sale proceeds which will constitute Excess Proceeds reduces by reference to a TNLR grid with fall away to 0% at less than 0.5x deleveraging; and • Specific RP basket using asset disposition proceeds offered in prepayment to noteholders and other senior secured creditors but declined.
Risk of Effectively Senior Debt (Secured on non-Collateral)	
Ratio-capped Permitted Liens	N/A
Minimum Permitted Liens at Issue	€5247M (equivalent to 3.19x leverage) • CF Basket Headroom - Greater of €1,323M and 100% LTM EBITDA • General Debt - Greater of €662M and 50% LTM EBITDA • CLO/PMO - Greater of €662M and 50% LTM EBITDA • Acquired/Acquisition Finance Debt - Greater of €331M and 25% LTM EBITDA • Local lines/bilateral facilities - Greater of €397M and 30% LTM EBITDA • Other securitization/factorings/receivables - Greater of €662M and 50% LTM EBITDA • NGRS/JV Guarantees - Greater of €331M and 25% LTM EBITDA • Management Advances - Greater of €99M and 7.5% LTM EBITDA

	• Insurance/general banking arrangements - Greater of €331M and 25% LTM EBITDA • Letters of credit - Greater of €66M and 5% LTM EBITDA • Cash bridge facility - €350M • General PL - Greater of €33M and 25% LTM EBITDA
Risk of Collateral Dilution	
Ratio-capped Permitted Collateral Liens	• Senior Secured Debt Incurrence: 5x Senior Secured Net Leverage Ratio • Junior Secured Debt Incurrence: 2x Fixed Charge Coverage Ratio or 6.25x Total Secured Net Leverage Ratio (Equivalent to 0.1x turns of leverage for senior secured and 0.05x for junior secured)
Minimum Permitted Collateral Liens at Issue	€4287M (equivalent to 3.19x leverage) • CF Basket Headroom - Greater of €1,323M and 100% LTM EBITDA • General Debt - Greater of €662M and 50% LTM EBITDA • CLO/PMO (but not CLO) - Greater of €662M and 50% LTM EBITDA • Acquired/Acquisition Finance debt - Greater of €331M and 25% LTM EBITDA • Local lines/bilateral facilities - Greater of €397M and 30% LTM EBITDA • Management Advances - Greater of €99M and 7.5% LTM EBITDA • Insurance/general banking arrangements - Greater of €331M and 25% LTM EBITDA • Letters of credit - Greater of €66M and 5% LTM EBITDA • Cash bridge facility - €350M; and • Ordinary Course PCLs - Greater of €66M and 5% LTM EBITDA
Minimum Permitted Super Senior Collateral Liens	€2000M (equivalent to 1.51x leverage) • Up to the greater of €2B and 150% LTM EBITDA can be super senior if the €1B RCF and €1B guarantee facility are designated super senior after the Senior Term Facilities are refinanced in full • Certain uncapped priority hedging obligations
Portability	
Portability	No
Portability Ratio test	N/A
Cost Savings/Synergies Adjustments	
Are Cost Savings / Synergies capped?	Yes - 30% of Consolidated EBITDA

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Any time horizon for Cost Savings / Synergies to be realised?	24 months
Cost Savings / Synergies limited to certain contexts	Broadly applied
Credit Support	
Guarantor Coverage on Issue	• 62.8% of EBITDA • 36.4% of Total Assets • 44.5% of Revenue
Security Coverage	Issue date collateral: • Shares in Euro SSN Issuer, USD SSN Issuer, Vertical Bidco GmbH ("Bidco") and Vertical Newco GmbH ("Newco") • Structural intercompany receivables owed to: SUN Issuer by Euro SSN Issuer; Euro SSN Issuer by Newco; Newco by Bidco; and Newco by USD SSN Issuer • Material bank accounts of: Euro SSN Issuer, Newco and Bidco in Germany • All assets of the USD SSN Issuer Post-Closing Collateral: • Shares in thyssenkrupp Elevator Corp., thyssenkrupp Aufzüge GmbH, Tepper Aufzüge GmbH, thyssenkrupp Elevator (Canada) Limited and thyssenkrupp Elevator Manufacturing Inc. • All assets of each Post-Closing Guarantor incorporated in Canada or the US Substantially the same as the Senior Facilities Agreement except that the Senior Facilities Agreement is also secured by Spanish subsidiaries of the Target which do not secure the Notes (OM does not state whether this is only thyssenkrupp Elevadores, S.L.U. and limited to the GF and RCF)

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

Thyssenkrupp Elevator				
(EUR in Millions)	03/31/2020 Amount	Maturity	Rate	EBITDA Multiple Book
€1B RCF	-			
€1B Guarantee Facility	-			
€750M SSNs due 2027	750.0	2027		
€1B FRNs due 2027	1,000.0	2027		
€1.25B Equivalent USD SSNs due 2027	1,250.0	2027		
€500M Equivalent USD TLA Facility	500.0			
€2.05B Equivalent USD TLB Facility	2,050.0			
€1B TLB Facility	1,000.0			
Total Senior Secured Debt	**6,550.0**			**5.4x**
€650M SNs due 2028	650.0	2028		
€400M Equivalent USD SNs due 2028	400.0	2028		
Private Senior Notes	650.0			
Total Senior Notes	**1,700.0**			**6.8x**
Local Facilities [1]	4.4			
Total Other Debt	**4.4**			**6.8x**
Total Debt	**8,254.4**			**6.8x**
Less: Cash and Equivalents	(100.0)			
Net Debt	**8,154.4**			**6.7x**
Operating Metrics				
LTM Revenue	8,048.0			
LTM Reported EBITDA	987.0			
LTM Reorg EBITDA	1,209.0			
Liquidity				
RCF Commitments	1,000.0			
Less: Drawn	-			
Other Liquidity	1,000.0			
Plus: Cash and Equivalents	100.0			
Total Liquidity	**2,100.0**			
Credit Metrics				
Gross Leverage	6.8x			
Net Leverage	6.7x			

Notes:
Capital structure pro forma for issuances launched June 24 to fund the acquisition of Thyssenkrupp Elevator group, part funded by €8.372M equity contribution. Reported EBITDA as reported, excluding lease adjustment. Adjusted Reorg EBITDA equal to Pro Forma Adjusted EBITDA as reported in the documentation of €1.323B, excluding lease adjustment of €57M as reported for the first six months in the period prior to adopting IFRS 16, and €57M of IFRS 16 impact (€8M interest and €49M D&A) on the last six months in the period. Capital structure excludes all leases, amounting to €330M as of March 31, 2020. Cash balance reflects minimum operating cash requirement of the group as of acquisition closing date. Any cash in excess of this amount will increase the purchase price and be funded through the RCF. Other liquidity relates to €1B guarantee facility.
1. Facilities in Jordan, Morocco, and Spain.

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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.