Reorg®

elfa

Tear Sheet: ams AG's €1B-Equiv 2025 Senior Notes

Today, June 22, Austrian sensor solutions group ams AG launched a new five-year €1 billion-equivalent senior unsecured bond, with proceeds to be used to partially fund the acquisition of Osram and to refinance debt.

The notes will carry expected ratings of Ba3, BB- and BB- from Fitch, S&P and Moody's. The virtual roadshow will run until Thursday, June 25, with pricing following 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. 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
1.75x headroom at issue permitting incurrence of up to €1.815B senior (dilutive) debt by Issuer and guarantor subsidiaries.   - The group's pro forma Consolidated Net Leverage Ratio (CNLR) is 2.0x at issue - at this level of opening leverage the Issuer can access its 2x CNLR based restricted payments basket without any deleveraging.   - Day 1 capacity to make dividends of up to 5% of Issuer's Market Capitalization is subject to CNLR not exceeding 2.25x (in any 12-month window). We note that the group's pro forma 2x CNLR as of the date of issue provides a 0.25x capacity for such dividends. The Issuer, ams AG, is listed on the SIX Swiss Exchange.   - Investors may want to clarify as to the permitted debt basket intended to be utilized to account for Facility B2 under which €1,325m of committed amounts are available for draw downs. The relevant debt basket grandfathering debt existing on the issue date (i.e. clause 4(b) of the limitation on debt covenant) does not accommodate this facility and the credit facility basket (capped at greater of €650 million and 63% of Consolidated EBITDA) is also insufficient to accommodate this debt. It is likely the debt will be incurred under the ratio debt basket when drawn, but we are unable to confirm.   - Ratio and covenant calculations exclude the impact of IFRS 16.   - Until the Control Date, a proportionate share only of Target's debt, CNI and EBITDA is taken into account for covenant purposes; the equivalent language is not present in relation to cash/CE.   - The time period for application of asset sale proceeds has been extended from standard 365 + 180 days to 451 + 180 days.
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? *Ams has €2.637billion of additional debt capacity at issue excluding headroom under the 2x FCCR ratio test*	
Ratio Debt	2x Fixed Charge Coverage Ratio Senior Debt: 3.75x Consolidated Senior Net Leverage Ratio **1.75x headroom based on 2.0x consolidated senior net leverage ratio. This equals €1.815B**
Minimum Debt Capacity at Issue[1]	€821.7M (equivalent of 0.79x turns of leverage) ● CF Basket Headroom - €201.4M (based on grower being larger than hard cap) ● CLO/PMO - Greater of €10M and 1% Cons. EBITDA (€10.3M) ● General debt - Greater of €500M and 49% Cons. EBITDA (€506.6M) ● Working capital\local credit facilities - Greater of €100M and 10% Cons. EBITDA (€103.4M) NGRS debt cap (capping debt incurred by non-guarantors under ratio debt; CF basket; general purpose debt; acquisition debt/acquisition finance of senior debt and grandfathered debt basket)-Greater of €310M and 30% of Consolidated EBITDA (€310.2M)
Headroom under the Credit Facility Basket at Issue	€201.4M
Value Extraction through Restricted Payments or Permitted Investments	
Build-Up Basket Start Date	June 1, 2020
Starter Amount in the Build-Up Basket	No
Any Accrued Build-Up Basket Capacity	No
Ratio-capped baskets	Ratio-capped Restricted Payments: 2.0x Consolidated Net Leverage Ratio (0.0x headroom based on 2.0x net leverage) Ratio-capped Junior debt repayments: N/A Ratio-capped Permitted Investments: N/A
Minimum Restricted Payments (payments to equity)	€587.04M (equivalent of 0.57x turns of leverage)

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

	• Equity Repurchases - €482.04M (Greater of €80M and 2% of the Market Capitalization/calendar year (*€80.34M* based on Market Capitalization as at June 22, 2020) • General RPs - Greater of €105M and 10% Cons. EBITDA
Minimum Permitted Investments at Issue	€725.2M (equivalent of 0.70x turns of leverage) • Investments in JVs/ Unrestricted Subsidiaries - Greater of €310M and 30% Cons. EBITDA (*€310.2M*) • General PIs - Greater of €415M and 40% of 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	€320.54M (equivalent of 0.31x turns of leverage) • CLO/PMO - Greater of €10M and 1% Cons. EBITDA (€10.34M) • Local lines of credit - Greater of €100M and 10% Cons. EBITDA (€103.4M) • General Permitted Liens - Greater of €210M and 20% Cons. EBITDA (€206.8M)
Risk of Collateral Dilution	
Ratio-capped Permitted Collateral Liens	N/A
Minimum Permitted Collateral Liens at Issue	N/A
Minimum Permitted Super Senior Collateral Liens	N/A
Portability	
Portability	N/A
Portability Ratio test	N/A
Cost Savings/Synergies Adjustments	
Are Cost Savings / Synergies capped?	No

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.

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	• 97.2% of EBITDA • 70.4% of Total Assets • 98.0% of Revenue
Security Coverage	N/A
Covenant Outliers	
Deal Outliers	None

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.

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

Ams AG				
(EUR in Millions)	03/31/2020 Amount	Maturity	Rate	EBITDA Multiple Book
Unsecured Bridge Loan [1]	449.0	Dec-2020		
Unsecured Bank Facilities [2]	576.0			
R&D Loans [3]	14.0			
Export Loans [4]	106.0			
EUR 1B Eq. Senior Unsecured Notes due 2025	1,000.0	2025		
Promissory Notes [5]	268.0			
Total Senior Unsecured Debt	**2,413.0**			**2.0x**
$320M Convertible Bonds [6]	270.0	2022		
EUR Convertible Bonds [7]	473.0	2025		
Total Convertible Bonds	**743.0**			**2.6x**
Non-controlling Shareholder Loan [8]	73.0			
Total Non-controlling Shareholder Loan	**73.0**			**2.7x**
Total Debt	**3,229.0**			**2.7x**
Less: Cash and Equivalents	(1,329.0)			
Net Debt	**1,900.0**			**1.6x**
Plus: Market Capitalization	4,017.0			
Enterprise Value	**5,917.0**			**4.9x**
Operating Metrics				
LTM Revenue	5,465.0			
LTM Reported EBITDA	1,206.0			
Liquidity				
RCF Commitments	756.0			
Less: Drawn	(306.0)			
Plus: Cash and Equivalents	1,329.0			
Total Liquidity	**1,779.0**			
Credit Metrics				
Gross Leverage	2.7x			
Net Leverage	1.6x			

Notes:
Capital structure pro forma for the issuance of the 2025 notes and based on consolidated pre-IFRS 16 accounting. Market capitalization as of June 22, 2020.
1. Unfunded commitments of EUR 2.325B will be reduced upon the issuance of the notes by EUR 1B. Includes undrawn EUR 450M RCF due Aug. 2022
2. EUR 326M fixed rate at 1.7%, EUR 250M floating rate at 1.4%. Includes EUR 360M fully drawn RCF
3. Rate between 1% and 1.5%
4. Rate between 0.25% and 1%
5. Rate between 1.15% and 2.5%
6. Unsecured and not guaranteed
7. Unsecured and not guaranteed. Zero-coupon bond
8. Issued at OSRAM

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 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.