

## Tear Sheet: Sofima's €1.28B 2027 Senior Secured Notes

Italian machinery maker Industria Macchine Automatiche SpA, or IMA, has originally launched €1.28 billion of seven-year senior secured fixed and floating rate notes due 2027 to finance its buyout by BC Partners and So.Fi.M.A. Società Finanziaria Macchine Automatiche SpA. The fixed rate tranche has been upsized by €30 million to €830 million, sources told Reorg.

The fixed rate tranche of €830 million has two-years' non-call protection while the floating-rate tranche of €450 million has one year of non-call protection. The notes are expected to be rated B2 by Moody's and B by S&P and listed on the Luxembourg Stock Exchange.

Price talk for the fixed-rate tranche is in the 4% area, and the floating rates notes are guided at 99.5 with a margin in the Euribor+400 bps to E+425 bps range. The floating rate notes have a 0% floor.

**The portability net leverage ratio has been lowered to 4.5x in line with the opening consolidated total net leverage ratio.**

Pricing is expected on Dec. 10, 2020.

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](mailto:questions@reorg.com) for an in-depth analysis.*

### Summary Covenant Facts

- **Net Short Provisions Present:** Restricts noteholders who hold a net short position from voting on enforcement actions and relate to all events of default except a bankruptcy-related event of default. Detailed provisions can be found on page 267 of the preliminary OM.
- **Low Guarantor Coverage:** Investors should query the extent of post issue guarantor coverage. Post issuance, the Notes will be guaranteed by each restricted subsidiary which guarantees the RCF which could result in the Notes benefitting from guarantor coverage representing 80% of EBITDA but no details on the entities which may accede, the timing, or the expected level of guarantor coverage are disclosed.
- **Restricted Payments Subject to Event of Default Blockers:** Restricted Payments covenant permit RPs even after a default.
  - The Build-up Basket can be used for making investments, including in unrestricted subsidiaries, and subordinated debt payments and the leverage based and general RP baskets can be used after an Event of Default, other than an bankruptcy or payment default. Typically, these baskets would be blocked after ANY event of default.
  - Dividends and distributions can be made from the Build-up Basket even after a Default, as long as it has not matured into an Event of Default, allowing for leakage to shareholders at a stressed time.
- **Available RP Capacity Amount:** Restricted group may convert unused restricted payments capacity under specified RP baskets (ie. Build-up basket, Equity Repurchase, Post-IPO Basket, Excluded Contributions, General RP Basket, Ratio-based RP Basket, and Retirement of Subordinated Debt basket)

into debt capacity. Such debt can be secured on notes collateral. Only four deals in Europe (Lowell, Masmovil, Gamenet and Merlin Entertainments) had a similar debt to dividend toggle in the last twelve months.

- **Portability Available at Issue:** leverage-based portability feature present in the preliminary OM was originally set at a high 5.25x total net leverage ratio - the test level is now being reduced to bring it in line with opening day leverage. Portability is not limited to a single use.
- **Short non-call period:** The non-call periods are short (NC1 for the floating rate notes and NC2 for the fixed rate notes).
- **Optional redemption at 103%:** 10% of the fixed rate notes can be redeemed at 103% per calendar year until 2023 (even though the non-call protection ends in 2022).
- **Credit Facilities Basket:** The four pronged Credit Facilities basket allows for debt of different rankings to be incurred based on leverage ratios. Junior-ranking debt can be incurred under this basket and secured on the collateral if the Fixed Charge Coverage Ratio is more than 2x or the Consolidated Total Secured Net Leverage Ratio is less than 4.35x.
- **Asset Sale Covenant:**
  - **Leverage Based Grid for Excess Proceeds:** Excess proceeds are reduced based on the group's Consolidated Total Net Leverage Ratio as of the date of the receipt of asset disposition proceeds:
    - 100% of such proceeds if the Consolidated Total Net Leverage Ratio is greater than 4x
    - 50% of such proceeds if the Consolidated Total Net Leverage Ratio is less than or equal to 4x but greater than 3.5x
    - 0% if the Consolidated Total Net Leverage Ratio is less than or equal to 3.5x
  - **Proceeds from sale of assets:** Requirement to receive 75% of proceeds in cash or cash equivalents does not apply to:
    - to individual transactions with a purchase price of no less than the greater of €45.9 million and 15% LTM EBITDA
    - (2) consideration received in each fiscal year up to the greater of €52.1 million and 17% LTM EBITDA
    - (3) Sale of non-core assets
- **Escrow Arrangements:** Release of escrow proceeds is subject only to bankruptcy and payment defaults permitting such proceeds to be released while other defaults are outstanding.
- **Special Mandatory Redemption:** requires mandatory redemption in the event of bankruptcy of the Issuer or otherwise at the election of the Issuer to redeem up to the lesser of €350 million of the Notes and the aggregate principal amount of Notes not subject of a release, at 100% of the initial issue price of the Notes redeemed.

*Reorg's legal analysts have separately published a thorough analysis of the covenants, structure and the legal loopholes. For regulatory reasons, this tear sheet contains only key covenant facts and basket capacities. Please email [questions@reorg.com](mailto:questions@reorg.com) to request a copy of the in-depth analysis.*

#### How Much Leverage Can Be Added over Time?

€2,658.4M or 8.68x of EBITDA, excluding headroom under FCCR

<b>Ratio Debt</b>	2.0x Fixed Charge Coverage Ratio <ul style="list-style-type: none"> <li>● Senior Secured Debt Incurrence: 4.1 x Senior Secured Net Leverage Ratio (€30.6 million)</li> </ul>
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	<ul style="list-style-type: none"> <li>Junior Secured Debt Incurrence (on Collateral): 4.35x Consolidated Total Secured Net Leverage Ratio (€107.2 million)</li> </ul>
<b>Minimum Debt Capacity at Issue<sup>1</sup></b>	<p>€2520.6M [equivalent of 8.2x of EBITDA]</p> <ul style="list-style-type: none"> <li>CF Basket Headroom - €259.7M</li> <li>CLO/PMO - Greater of €114.9M and 37.5% LTM EBITDA</li> <li>General debt - Greater of €153.2M and 50% LTM EBITDA</li> <li>Available RP Capacity Amount- €413.4 million</li> <li>MTO Acquisition Debt - €700M</li> <li>Target Existing Debt Facilities - €550M</li> <li>Local Credit Facilities, working capital facilities etc. - Greater of €76.6M and 25% LTM EBITDA</li> <li>Management Advances - Greater of €23M and 7.5% LTM EBITDA</li> <li>JV/NGRS Debt- Greater of €76.6 million and 25.0% of LTM EBITDA</li> <li>Qualified Receivables Financing basket- Greater of €91.9 million and 30.0% of LTM EBITDA;</li> <li>Obligations in respect of Disqualified Stock- Greater of €61.3 million and 20.0% of LTM EBITDA</li> </ul>
<b>Headroom under the Credit Facility Basket at Issue</b>	<p>€259.7M, representing:</p> <p>(i) greater of €150 million and 65% of LTM EBITDA (€49M);  (ii) Guarantee Facility greater of €250 million and 85% of LTM EBITDA (€10.4M);  (iii) senior secured debt permitted subject to 4.1x senior secured net leverage ratio (€30.6M);  (iv) debt secured on junior basis on collateral subject to pro forma 4.35x total secured net leverage ratio or 2xFCCR (€107.2M); and  (v) unsecured debt subject to pro forma 4.75x total net leverage ratio (€62.5M)</p>
<b>Value Extraction through Restricted Payments or Permitted Investments</b>	
<b>Build-Up Basket Start Date</b>	01/10/2020
<b>Starter Amount in the Build-Up Basket</b>	Yes
<b>Any Accrued Build-Up Basket Capacity</b>	N/A
<b>Ratio-capped baskets</b>	Ratio-capped Restricted Payments: 3.75x Consolidated Total Net Leverage Ratio (not currently accessible)

<sup>1</sup> This aggregate does not include any amounts that will be available under the 2x FCCR ratio test mentioned above, and is computed on the basis of growers baskets wherever higher than the fixed amount.

<b>Minimum Restricted Payments (payments to equity)</b>	<p>€1,101.9M <i>(equivalent of 3.6x of EBITDA)</i></p> <ul style="list-style-type: none"> <li>• Free and Clear Amount in CNI build-up basket - Greater of €122.5M and 40% LTM EBITDA</li> <li>• Equity Repurchases- €367.2M (Greater of €45.9M and 15% of LTM EBITDA/fiscal year, increasing to greater of €61.3M and 20% of LTM EBITDA/fiscal year after an IPO, with unused amount carried forward and being carried back to preceding fiscal year)</li> <li>• Parent Entity Expenses - €122.4M (Greater of €15.3M and 5% LTM EBITDA/calendar year)</li> <li>• Permitted Holder Fees - €122.4M (Greater of €15.3M and 5% LTM EBITDA/fiscal year)</li> <li>• Dividends, loans, advances or distributions to any Parent Entity - €122.4M (Greater of €15.3M and 5% LTM EBITDA/ FY)</li> <li>• Subordinated Indebtedness - Greater of €122.5M and 40% LTM EBITDA</li> <li>• General RPs - Greater of €122.5M and 40% LTM EBITDA</li> </ul>
<b>Minimum Permitted Investments at Issue</b>	<p>€268.1M <i>(equivalent of 0.88x of EBITDA)</i></p> <ul style="list-style-type: none"> <li>• Management Advances - Greater of €23M and 7.5% LTM EBITDA</li> <li>• Investments in Unrestricted Subsidiaries - Greater of €76.6M and 25% LTM EBITDA</li> <li>• Investment in joint ventures and similar entities and in Similar Businesses - Greater of €76.6M and 25% LTM EBITDA</li> <li>• General PIs - Greater of €91.9M and 30% LTM EBITDA</li> </ul>
<b>Risk of Value Leakage from Asset Sales proceeds</b>	
<b>Can Asset Sale proceeds create Restricted Payments capacity?</b>	No
<b>Risk of Effectively Senior Debt (Secured on non-Collateral)</b>	
<b>Ratio-capped Permitted Liens</b>	N/A
<b>Minimum Permitted Liens at Issue</b>	<p>€978.3 M <i>(equivalent of 3.19x of EBITDA)</i></p> <ul style="list-style-type: none"> <li>• CF Basket Headroom (categories (i) to (iv)) - €197.2M</li> <li>• CLO/PMO - Greater of €114.9M and 37.5% LTM EBITDA</li> <li>• Available RP Capacity Amount- <i>€413.4 million</i></li> <li>• Local Credit Facilities, working capital facilities etc. - Greater of €76.6m and 25% LTM EBITDA</li> <li>• Management Advances - Greater of €23m and 7.5% LTM EBITDA</li> <li>• General PLs - Greater of €153.2m and 50% LTM EBITDA</li> </ul>
<b>Risk of Collateral Dilution</b>	

<b>Ratio-capped Permitted Collateral Liens</b>	N/A
<b>Minimum Permitted Collateral Liens at Issue</b>	<p>€2220.6M (equivalent of 7.25x of EBITDA)</p> <ul style="list-style-type: none"> <li>• CF Basket Headroom (categories (i) to (iv)) - €197.2M</li> <li>• CLO/PMO - Greater of €114.9M and 37.5% LTM EBITDA</li> <li>• General debt - Greater of €153.2M and 50% LTM EBITDA</li> <li>• Available RP Capacity Amount- €413.4 million</li> <li>• MTO Acquisition Debt - €700M</li> <li>• Target Existing Debt Facilities - €550M</li> <li>• Local Credit Facilities, working capital facilities etc. - Greater of €76.6M and 25% LTM EBITDA</li> <li>• Ordinary Course of Business for GPCLs - Greater of €15.3M and 5% LTM EBITDA</li> </ul>
<b>Minimum Permitted Super Senior Collateral Liens</b>	<p>€59.4M (equivalent of 0.19x of EBITDA)</p> <ul style="list-style-type: none"> <li>• greater of €150 million and 65% of LTM EBITDA (€49M);</li> <li>• (ii) Guarantee Facility greater of €250 million and 85% of LTM EBITDA (€10.4M)</li> <li>• Hedging (uncapped and unknown at date of issue)</li> </ul>
<b>Portability</b>	
<b>Portability</b>	Ratio Based Portability
<b>Portability Ratio test</b>	4.5x Consolidated Net Leverage Ratio (as per amended terms; tightened from the original 5.25x threshold included in the preliminary OM)
<b>Cost Savings/Synergies Adjustments</b>	
<b>Are Cost Savings / Synergies capped?</b>	No
<b>Any time horizon for Cost Savings / Synergies to be realised?</b>	No time limitation
<b>Cost Savings / Synergies limited to certain contexts</b>	Broadly applied
<b>Credit Support</b>	
<b>Guarantor Coverage on Issue</b>	<ul style="list-style-type: none"> <li>• Zero % of EBITDA/ Total Assets/ Revenue</li> <li>• Non-guarantor subsidiaries represent 100% of EBITDA/ Total Assets/ Revenue</li> </ul> <p>At issue, the Notes are guaranteed only by IMA Bidco which is a holding</p>

	<p>company.</p> <p>Post issuance, the Notes will be guaranteed by each restricted subsidiary which guarantees the RCF.</p>
<p><b>Security Coverage</b></p>	<p>At issuance, the notes are secured by a pledge over escrow accounts holding the note proceeds, shares owned by the issuer, the issuer's shares in I.M.A Bidco, structural intercompany receivables owed to the TopCo by the issuer and structural intercompany receivables owed to the issuer by I.M.A Bidco.</p> <ul style="list-style-type: none"> <li>• Within 5 business days of the escrow release date, noteholders will get a pledge over structural intercompany receivables owed to the issuer by I.M.A Bidco to the extent not already assigned.</li> <li>• On or about Dec. 14, the noteholders will receive pledges over shares of I.M.A Bidco in the company, and structural intercompany receivables owed to I.M.A Bidco by the company.</li> <li>• Within 20 business days after escrow release date, the noteholders will receive pledges over structural intercompany receivables owed to IMA Bidco by Company (to the extent not already assigned)</li> <li>• Within 20 business days of completion of the mandatory tender offer, the noteholders will receive pledges over shares owned by IMA Bidco in the Company (to the extent not already pledged)</li> <li>• Within 20 business days of completion of sell-out or squeeze out transactions or over-the-counter purchase of outstanding shares in the Company, the noteholders will receive pledges over shares of IMA Bidco in the Company (to the extent not already pledged)</li> <li>• Within 10 business days of Company Merger, the noteholders will receive pledges over shares of f TopCo in Company MergerCo and structural intercompany receivables owed to TopCo by Company MergerCo</li> <li>• Within 10 business days of Delisting Merger, the noteholders will receive pledges over shares of the Issuer in Delisting MergerCo and structural intercompany receivables owed to Issuer by Delisting MergerCo, within 10 business days of each escrow release date where the proceeds from such release are on-lent to Delisting MergerCo</li> <li>• Within 10 business days of Debt Push Merger, the noteholders will receive pledges over shares of TopCo in Debt Push MergerCo and structural intercompany receivables owed to TopCo by Debt Push MergerCo</li> </ul>

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

IMA S.p.A Capitalization								
EUR in millions	Company Sept. 30	Adjustment (1)	Company, Adj. Sept. 30	Adjustment (2)	Pro Forma Sept. 30	Rate	Maturity	Net Leverage Thru
€150M Super Senior RCF due 2027				-	-		2027	
€250M Super Senior Guarantee Facility (3)				-	-			
<b>Total Super Senior Debt</b>				-	-			-
€1.25B Senior Secured Bridge Facility (4)				-	-			
New Senior Secured Notes due 2027				800.0	800.0		2027	
New Senior Secured Notes due 2027				450.0	450.0		2027	
<b>Total Senior Secured Debt</b>				<b>1,250.0</b>	<b>1,250.0</b>			<b>4.0x</b>
Senior Bond Loan due 2026	146.2	-	146.2	(146.2)	-	1.923%	2026	
Loans	400.3	-	400.3	(400.3)	-			
Bank Overdrafts	220.1	(220.1)	-	-	-			
<b>Total Senior Debt</b>	<b>766.6</b>	<b>(220.1)</b>	<b>546.5</b>	<b>(546.5)</b>	-			<b>4.0x</b>
Other Debt	0.5	(0.5)	-	-	-			
<b>Total Other Debt</b>	<b>0.5</b>	<b>(0.5)</b>	-	-	-			<b>4.0x</b>
Lease Liabilities	161.4	-	161.4	-	161.4			
<b>Total Lease Liabilities</b>	<b>161.4</b>	-	<b>161.4</b>	-	<b>161.4</b>			<b>4.5x</b>
€310M Senior Secured HoldCo PIK Notes				310.0	310.0			
<b>Total HoldCo PIK Notes</b>				<b>310.0</b>	<b>310.0</b>			
<b>Total Debt (Restricted Group)</b>	<b>928.5</b>	<b>(220.6)</b>	<b>707.9</b>	<b>703.5</b>	<b>1,411.4</b>			
Cash and Cash Equivalents	(167.1)	106.1	(61.0)	35.9	(25.1)			
<b>Net Debt</b>	<b>761.4</b>	<b>(114.5)</b>	<b>646.9</b>	<b>739.4</b>	<b>1,386.3</b>			<b>4.5x</b>
Add: HoldCo PIK Notes	-	-	-	310.0	310.0			
<b>Net Debt (Incl. PIKs)</b>	<b>761.4</b>	<b>(114.5)</b>	<b>646.9</b>	<b>1,049.4</b>	<b>1,696.3</b>			<b>5.5x</b>
<b>Liquidity:</b>								
Cash					25.1			
RCF Availability					150.0			
<b>Total Liquidity</b>					<b>175.1</b>			
<b>LTM Pro Forma Adjusted EBITDA</b>					<b>306.3</b>			
<b>Credit Metrics</b>								
Gross Leverage (Restricted Group)					4.6x			
Net Leverage (Restricted Group)					4.5x			
Gross Leverage (Incl. PIK)					5.6x			
Net Leverage (Incl. PIK)					5.5x			

Note 1 - Adjustment (1) represents the effect of €114.5M cash and cash equivalents expected to be generated since Oct. 1 or contributed through equity to fund the transactions and the repayment of €220.1M of current payables to banks outstanding on Sept. 30.

Note 2 - Adjustment (2) represents adjustments for the transactions and for the consolidation of the company into the issuer.

Note 3 - As of Dec. 6, there was €78.6M utilized under the SS Guarantee Facility excluded from the capital structure as per the reported capitalization.

Note 4 - The Senior Secured Bridge Facility is to be used for the financing of IMA Bidco acquisition, and/or any over-the-counter purchases of the outstanding shares by IMA Bidco. The senior secured bridge facility will expire following the delisting.

**Please contact Reorg at [questions@reorg.com](mailto: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 has published 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](mailto:questions@reorg.com) for a copy.

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