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- In our note published today, we look at what **self-help and potential out-of-court “voluntary” restructuring options may be available to Aldesa to guide it past its forthcoming EUR 245m April 2021 senior secured notes maturity given the set back on working capital / FCF / net debt / leverage / liquidity experienced at Q1 2019**. These scenarios are our ***own hypothetical scenarios – we are not aware of consideration of these by either the company or senior secured noteholders***

- **Self-help**. This scenario essentially relies on a combination of: (1) substantially reversing the higher-than-usual Q1 2019 working capital outflow of -EUR 135m over the remainder of 2019 (average Q2 – Q4 working capital reversal of Q1 outflow has been 88% over 2014 – 2018); (2) obtaining c. EUR 100m in asset sale proceeds from selling non-operational restricted group assets and unrestricted group assets; and (3) to a much lesser extent, modest restricted group EBITDA growth (from EUR 57m in 2018 and EUR 58m at Q1 2019 LTM to EUR 62m in 2020). This scenario would put restricted group net leverage (not accounting for off balance sheet non-recourse factoring and reverse factoring) on a trajectory to reach (a seasonally high) 2.5x at Q1 2021 (vs 4.1x at Q1 2019) which we believe would be refinancable in the private debt market, if not in the public high yield bond market. As per our note, Q4 to Q1 seasonal movement in leverage is on average 1.7x so a trajectory that leaves leverage at 2.5x in Q1 2021 would be less than 1x equivalent at end 2020. See our note for more details

- **Need For Speed?** We analyse base and stressed liquidity by quarter in our note, accounting for cash effectively trapped in temporary subsidiaries (consortium JVs) and further working capital squeeze. Whilst our base case shows liquidity holding right the way through to debt maturities in 2021 (we assume the RCF will be extended from May 2020 to January 2021 as Santander has agreed subject to agreement of the other RCF lenders), our stress case shows liquidity getting tight around Q1 – Q2 2020 and this is without applying *complete* loss of availability of non-recourse factoring and confirming lines (which we do not expect given the confirming lines from Spanish banks are now under a framework agreement which prevents unilateral agreement to cancel; and the factoring is based on higher quality public sector receivables)

- We also believe there could be impacts from Aldesa’s current bond trading levels to its ability to win new construction contracts (in terms of credit risk and payment terms). **We therefore believe it is in**

Aldesa's interest (and in the interest of senior secured noteholders) to act swiftly, either on self-help through asset disposals or voluntary out-of-court restructuring options as per our note. We believe there should be a strong incentive for both the Fernandez family shareholders and senior secured note holders to consider the latter given our analysis of de minimis recovery (see our note) if neither self-help nor voluntary restructuring options materialise

- **Voluntary Restructuring Option #1**. This involves bondholders pro-actively seeking to agree a haircut and maturity extension on the senior secured notes. **As per our** note**, we believe a haircut of c. 20% would be sufficient to allow the post-haircut capital structure to trade at par, i.e. the notes eventually end up being worth c. 80%. See our** note

- **Voluntary Restructuring Option #2**. This involves Aldesa obtaining a new non-recourse facility secured against non-operational restricted group and unrestricted group assets on a low LTV. Availability of such a facility would be made conditional on sufficient acceptances by senior secured noteholders of a discounted tender offer for a portion of the senior secured notes, to achieve deleveraging and allow an easier route to refinancing the remaining 2021 notes pro forma for the liability management exercise (or the new facility could be made conditional on *both* sufficient acceptances of a discounted tender offer *and* of an exchange of the remaining notes into new notes with a longer maturity). **We believe the weighted average outcome for noteholders would be c. 84% in this scenario (taking into account both the value of notes tendered at a discount and remaining notes that should be worth closer to par). See our** note

- **Recommendation**. **We continue to recommend buying Aldesa's EUR senior secured 7.25% 2021 at a price of 42.55 and we add 2% to our model portfolio at this level. We estimate the combined probability across self help and voluntary out-of-court restructuring options at 80%**

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