Aldesa - Press Reports: RCF Lenders Agree Extension; In Discussions For Private Debt To Refinance Bonds

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James Moylan & Rupesh Tailor, Everest Research, 1 August 2019

- El Confidencial has today reported (see here) that Aldesa's five RCF lenders have agreed to extend Aldesa's EUR 100m RCF from May 2020 to January 2021, just prior to the maturity of Aldesa's EUR 7.25% April 2021 senior secured notes. **We have not yet seen confirmation of this from Aldesa**. The El Confidencial article mentions the RCF lenders Santander, CaixaBank, Bankia and ICO as having approved the extension – it does not mention Banco Sabadell (though it mentions "five" RCF lenders) which is the joint second largest RCF lender to Aldesa

- Aldesa disclosed on 11/6/19 that Santander had agreed to extend the RCF maturity, conditional on the other RCF lenders also extending, and Aldesa stated at the time that it expected to finalise this extension with all RCF lenders before August. According to the El Confidencial article this timeframe had later been pushed back into the first week of August

- **A maturity extension of the RCF to January 2021 is in line with our expectations as per our note but we still view this as supportive of further price gains for Aldesa's EUR 7.25% 4/21 senior secured notes in which our model portfolio has a long position of c. 4% of AUM at an average price of 57.33**

- The El Confidencial article mentions that the RCF lenders were particularly encouraged by **"the good evolution of the accounts of the first half of the year" in contrast to the weak Q1 2019**. Aldesa is not scheduled to release its Q2 2019 results until 13 September but, if true, this would be in line with our expectations though **we expect most of the**

improvement in working capital, FCF, net debt, leverage and liquidity to occur in Q4 2019 as per our note. Working capital is the key swing factor and we look extensively in our note at Aldesa's historic quarterly seasonality in working capital, longer term days sales outstanding and days payables outstanding trends and risks around shrinkage in reverse factoring / confirming lines

- Most intriguingly the El Confidencial story mentions that **the company is negotiating with three hedge funds a private loan "to repay the bond 100%, without taking away for the holders of the securities, in order to extend the maturity of your liability"**. **The interest rate mentioned on such a potential new loan is below 8%**. Whilst we are positive on Aldesa as per our note, any such private debt raise (if used to refinance the senior secured notes) would be more positive than we have expected at this stage. **We expected such private debt to only potentially become available as Aldesa delivers on working capital reversal and deleveraging and (potentially) sale of assets (the saleability and valuation of which we assess in our note)**

- The use of proceeds of any such private loan are unclear as the El Confidencial article simultaneously mentions both 100% repayment of the senior secured note but also maturity extension. The latter may simply refer to the natural maturity extension achieved through refinancing but **we also analyse in our note the potential for two "voluntary" soft restructuring routes for Aldesa: (1) where it consensually agrees a maturity extension and moderate principal haircut with holders of the senior secured notes; and (2) where it negotiates a new 1st lien facility secured on unrestricted group assets and some non-operational restricted group assets but where a condition precedent for such facility would be the agreement of senior secured noteholders to accept a discounted tender offer for a minimum portion of the senior secured notes. We are unsure whether El Confidencial refers to one of these soft restructuring routes in conjunction with a new direct loan or whether it is a more straightforward refinancing. Even in the former case, as per our note, we see senior secured noteholders receiving at least 80% of their face value**

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