

European HY Building Materials: To Dip Down Or Not To Dip Down?

Andrew Belton

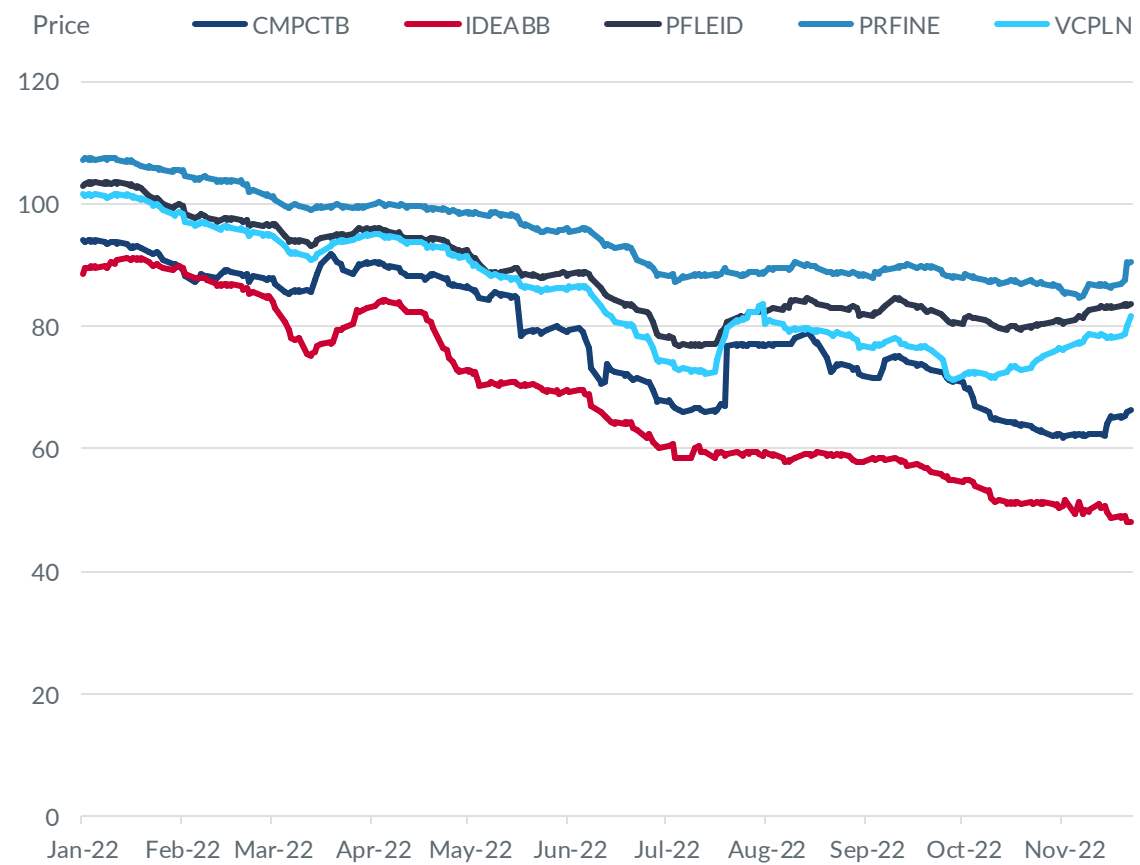
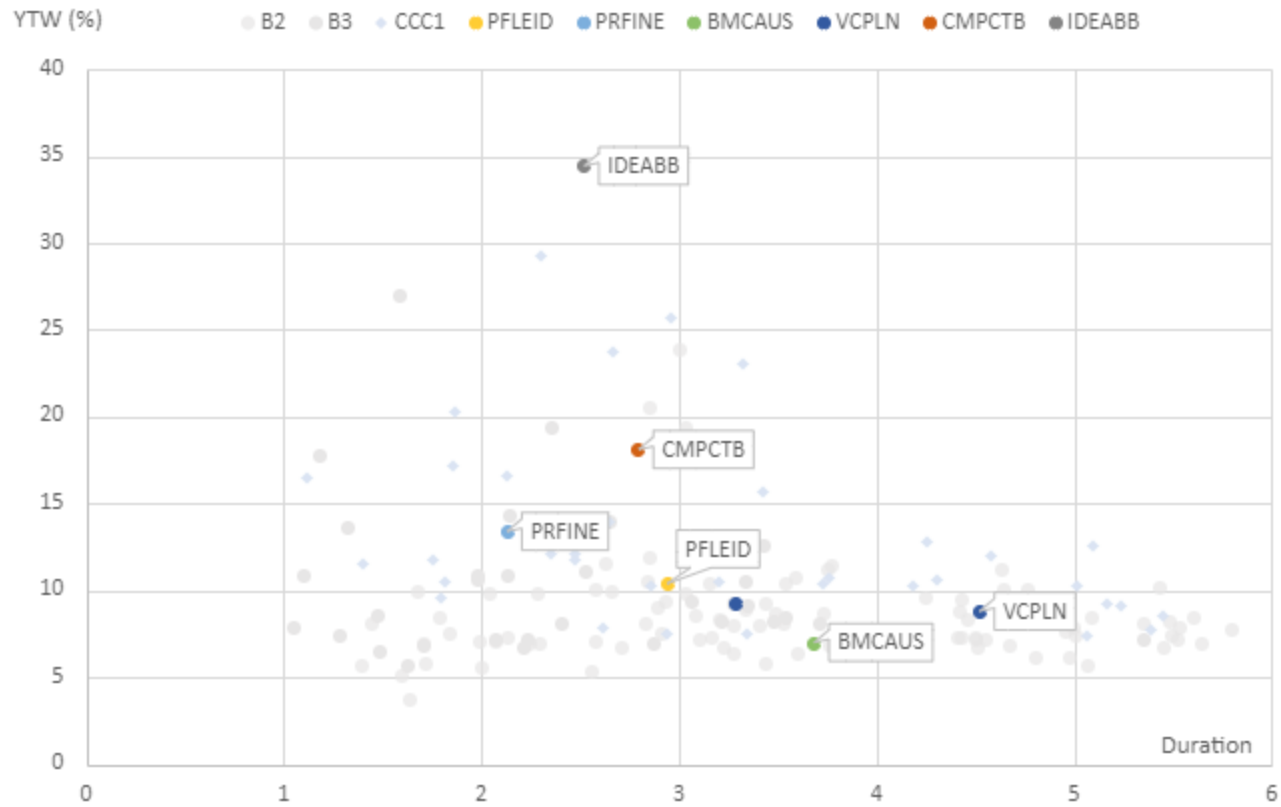
Senior Analyst – Building Materials & Construction

Euro HY Building Materials – There's HY And There's HIGH YIELD!

Euro HY Building Materials Index

Building Materials YTD Returns									
Ticker	Weight	No. of Bonds	Market Value	Rating	Dur	Price	YTW	TR	ER
European HY	100.0%	760	386,867	BB3	3.2	87.1	7.1%	-10.2%	-2.9%
Basic Industry	6.9%	65	26,818	BB3	2.9	87.9	7.5%	-7.8%	-1.3%
Building Materials	1.1%	13	4,283	BB3	2.9	85.3	8.5%	-10.8%	-4.0%
CEMEX	9.0%	1	387	BB2	2.8	96.0	4.4%	-2.5%	3.5%
JHXAU	8.7%	1	373	BB1	3.4	92.7	5.8%	-5.5%	0.5%
TITKGA	13.2%	2	564	BB2	2.8	93.5	4.7%	-6.6%	0.3%
WIEAV	14.9%	2	636	BB1	2.0	96.6	4.2%	-6.0%	-0.7%
PRFINE	7.5%	1	321	B3	2.1	90.8	13.6%	-7.3%	-1.6%
BMCAUS	15.9%	1	679	BB3	3.7	84.8	6.7%	-11.2%	-2.4%
VCPLN	14.4%	2	616	BB3	3.7	81.3	9.2%	-16.3%	-7.9%
PFLEID	7.9%	1	340	B1	2.9	84.4	10.4%	-13.7%	-6.8%
CMPCTB	4.9%	1	209	CCC1	2.8	69.1	18.3%	-20.5%	-13.4%
IDEABB	3.7%	1	157	CCC1	2.6	46.0	32.8%	-42.6%	-35.4%

It's A Feast vs. Famine Choice For HY Investors In Euro Building Materials



To Dip Down Or Not To Dip Down? – Who Are The Candidates?

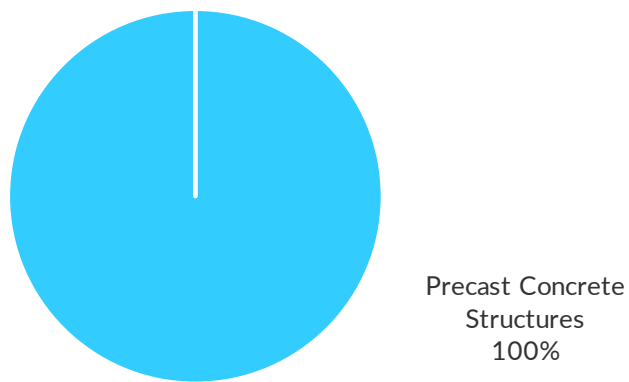
Name	Ticker	Country	Ownership	Sponsor	Main Product
CONSOLIS	CMPCTB	Netherlands	PE	Bain	Pre-cast concrete structures
 profine <small>INTERNATIONAL PROFILE GROUP</small>	PRFINE	Germany	PE	Hidden Peak Capital	Plastic Window Profiles
 VICTORIA PLC	VCPLN	UK	Public	N/A	Flooring Products
 PFLEIDERER	PFLEID	Germany	PE	Atlantik S.A.	Engineered wood-based materials
 Ideal Standard	IDEABB	Belgium	PE	Anchorage Capital and CVC Credit Partners	Bathroom fixtures

To Dip Down Or Not To Dip Down? - What Bonds Are Available?

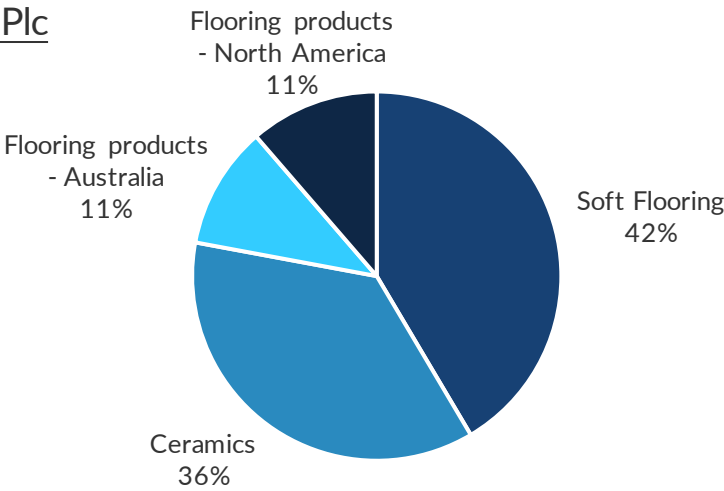
Name	Ticker	Amount	Coupon	Maturity	Rating	Type
Consolis	CMPCTB	€300 mn	5.75%	01/05/2026	Caa1/B-	Secured
Profine	PRFINE	€340 mn	9.25%	15/07/2025	B3/B-	Secured
Victoria	VCPLN	€500 mn	3.625%	24/08/2026	B1/BB-/BB+	Secured
Victoria	VCPLN	€250 mn	3.75%	15/03/2028	B1/BB-/BB+	Secured
Pfleiderer	PFLEID	€400 mn	4.75%	15/04/2026	B2/B/BB-	Secured
Pfleiderer	PFLEID	€350 mn	Float – Quarterly EURIBOR +475	15/04/2026	B2/B/BB-	Secured
Ideal Standard	IDEABB	€325 mn	6.375%	30/07/2026	Caa2/CCC+/B-	Secured

What Are The Main Products For Each Credit?

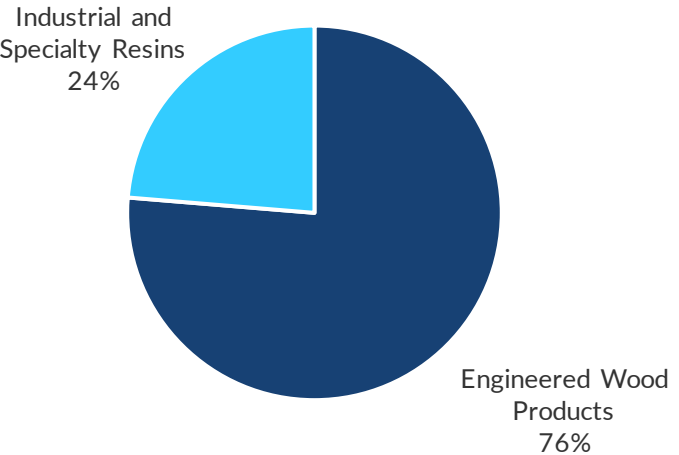
Consolis



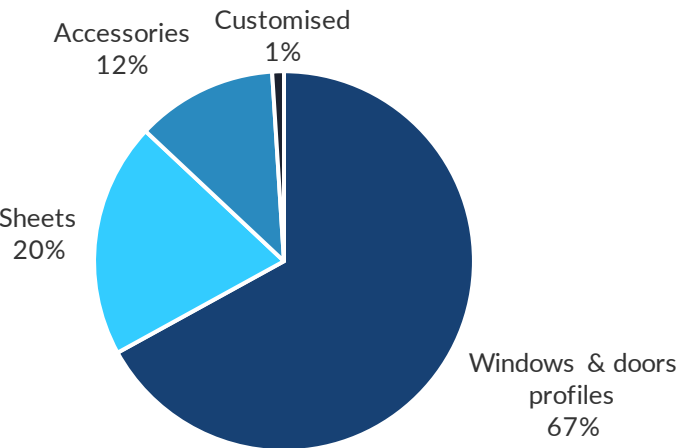
Victoria Plc



Pfleiderer

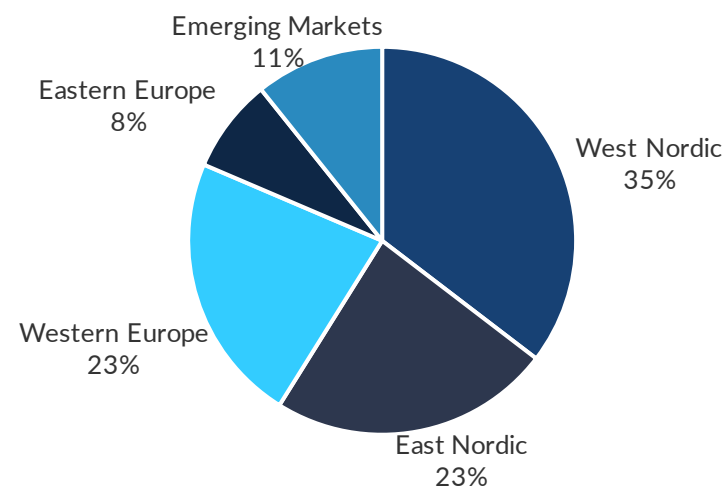


Profine

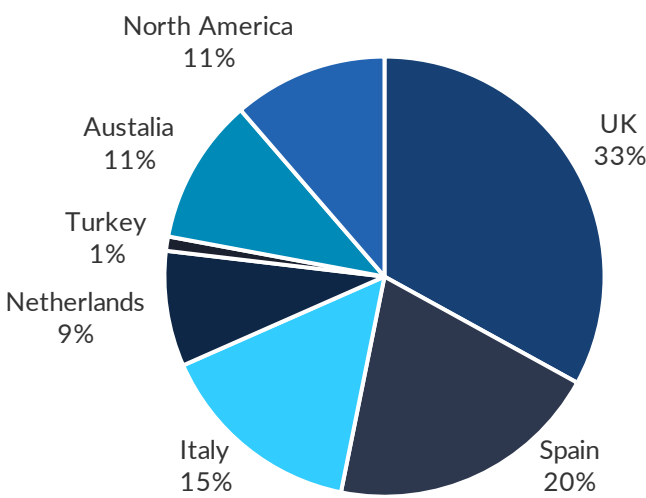


Where Is The Main Geographic Risk?

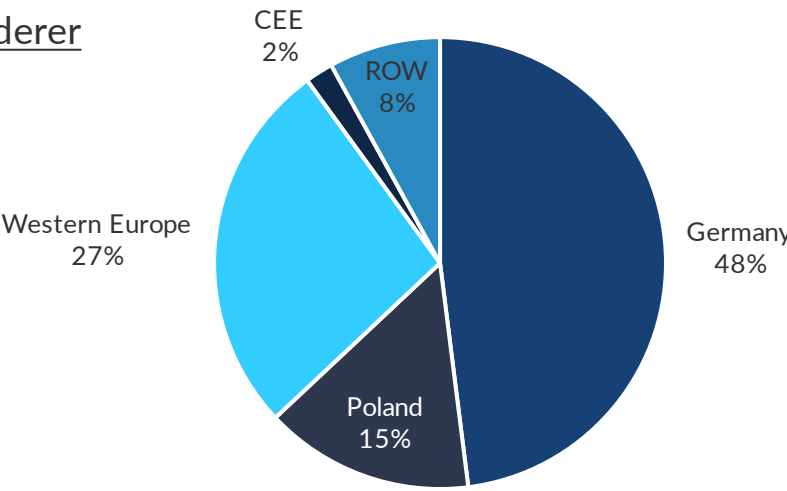
Consolis



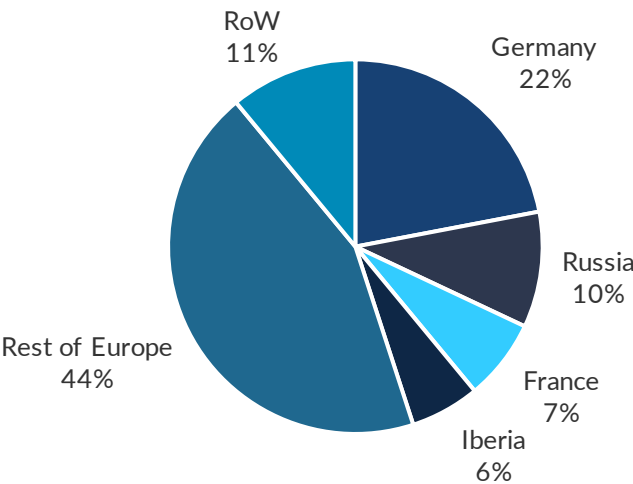
Victoria Plc



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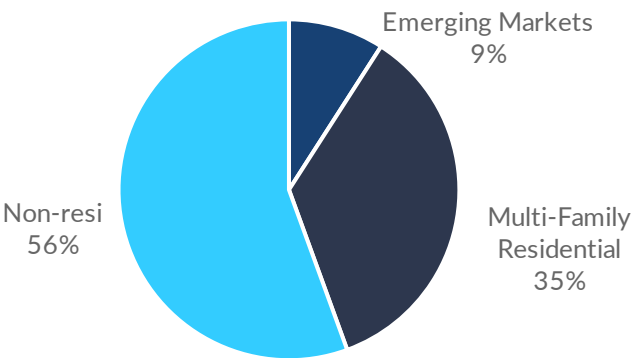


Profine

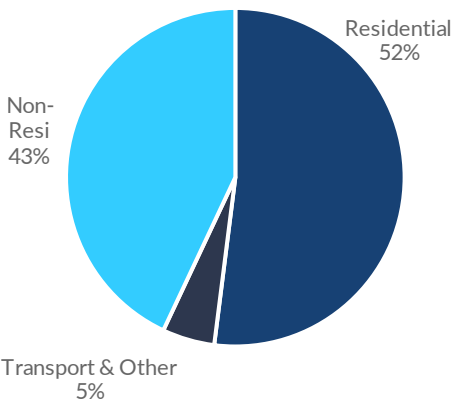


What Are The Main Demand Drivers For Each Credit?

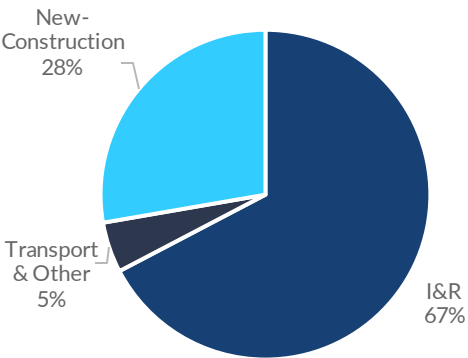
Consolis
Net Sales by End-Market



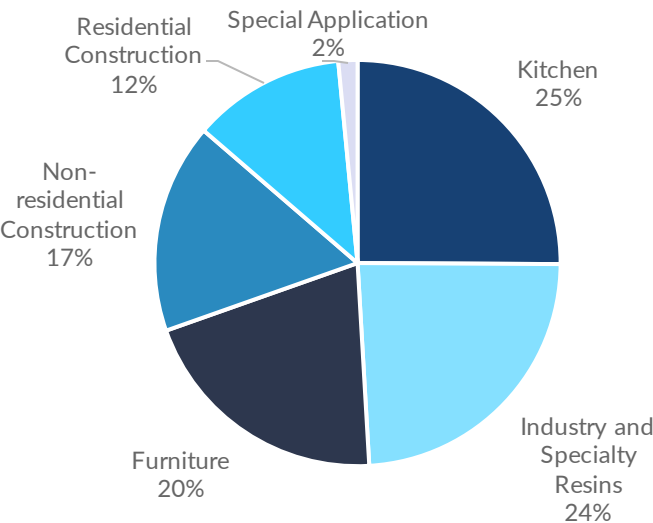
Victoria Plc
Global flooring market by end-market



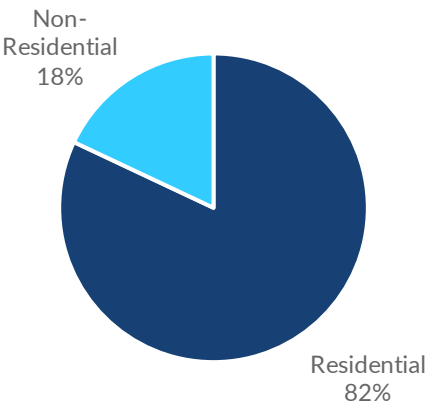
Global flooring market by application



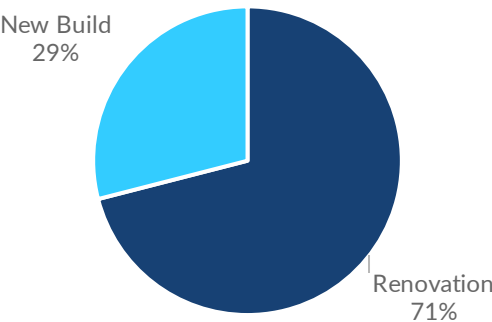
Pfleiderer
Gross Sales by End-Market



Profine
Customer Base

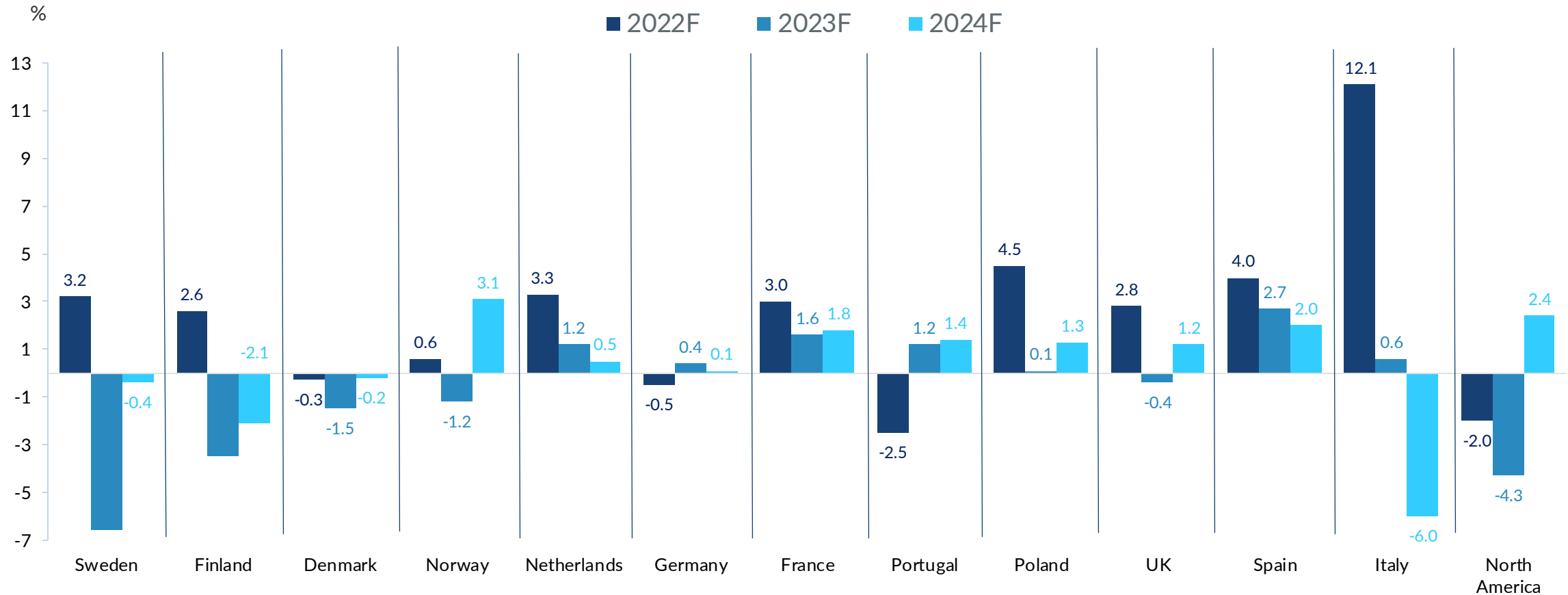


EU Window Market Breakdown







What Is The Construction Outlook For Their Main Markets?

Total construction output forecasts by country (% Change YoY)



What Are The Key Credit Positives?

				
Solid Market Position	✓	✓	✓	✓
Supportive Market Structure	✗	✓	✓	✓
RMI Focus	✗	✓	✓	✓
Energy Efficient Product	✓	✓	✗	✓
Geographic Diversity	✗	✓	✓	✗
Strong Brand	✗	✓	✓	✓

What Are The Key Credit Negatives?

CONSOLIS



PFLEIDERER

Geographic Concentration	✓	✗ ✓	✗ ✓	✓
Single Product Focus	✓	✓	✗	✗
Exposure to New Build vs RMI	✓	✗	✗	✗
Adverse Competitive Environment	✓	✗	✗	✗
Raw Material / Energy Cost Exposure	✓	✓	✓	✓
Extensive EBITDA Adjustments	✓	✓	✓	✓
Key Man Risk	✗	✓	✓	✗
Covenant Risk	✓	✓	✓	✓

What Are The Key Covenant Features In The T&C's?

CONSOLIS



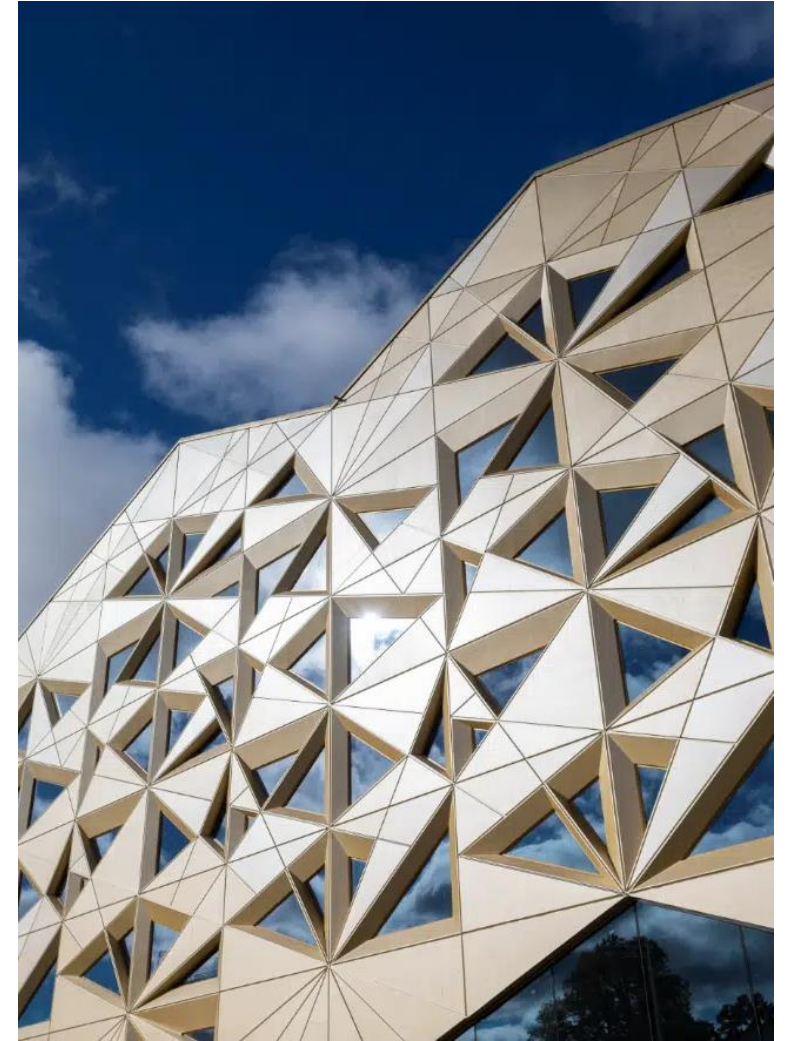
Consolidated Senior Secured Net Leverage Ratio	✓	✓	✓	✓
Leverage-based Restricted Payments	✓	✓	✓	✓
Super Senior Debt Credit Facilities Basket	✓	✓	✓	✓
Unrestricted Subsidiaries Explicit Permission to Transfer Value to Equity	✓	✗	✗	✓
Capped EBITDA Addbacks	✓	✓	✗	✓
Limited Guarantor Coverage	✓	✗	✗	✗
Portability provision in CoC	✗	✗	✗	✓

What Do Credit Stats Look Like?

	Credit Stats			
(€ mn) Unless Stated	Consolis	Pfleiderer	Profine	Victoria
Data as at:	Sep 22 (3Q)	Sep 22 (3Q)	Sep 22 (3Q)	Oct 22 (1H)
LTM Revenues	1,283	1,223	1,046	1,307
% Change (vs YE21)	21.1%	23.8%	16.1%	28.2%
LTM Adjusted EBITDA	76	188	126	178
% Change (vs YE21)	-0.3%	4.5%	19.0%	9.6%
LTM EBITDA Margin (%)	5.9%	15.4%	12.1%	13.65%
Change (vs YE21) in bp	-130 bp	-284 bp	+39 bp	+231 bp
Adjusted Free Cash Flow	20.9	147.0	40.0	-6.5
% Change (vs YE21)	4.0%	3.7%	4900.0%	-71%
Net Debt	440.0	632.8	366.3	651.5
% Change (vs YE21)	64.4	-16.5	-15.7	244.9
Leverage	5.8x	3.4x	2.9x	3.7x
% Change (vs YE21)	2.3x	-0.2x	-0.7x	1.1x

Spotlight On Consolis – Risks Skewed To Downside

- Single product focus in pre-cast concrete structures
- New Build Non-resi exposure
- Tough competitive environment
- High exposure to raw materials & energy
- Lower margins than EUR HY BM peers
- Weak cash flow
- Higher Leverage even using Adjusted EBITDA
- Weaker bondholder protection in Covenant package
- Recommendation: **SELL**



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