

EUROPEAN OUTLOOK CONFERENCE
LONDON

HY Services: Credit Smorgasbord

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CreditSights
a FitchSolutions Company

Research
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#5/18

Fifth largest sub-sector of the ICE BofA EUR HY index accounting for ~7%.

€ 1.5 bn

The median revenue of Services companies under CS coverage

~50%

The average share of revenue derived from the largest country, often the company's domestic market

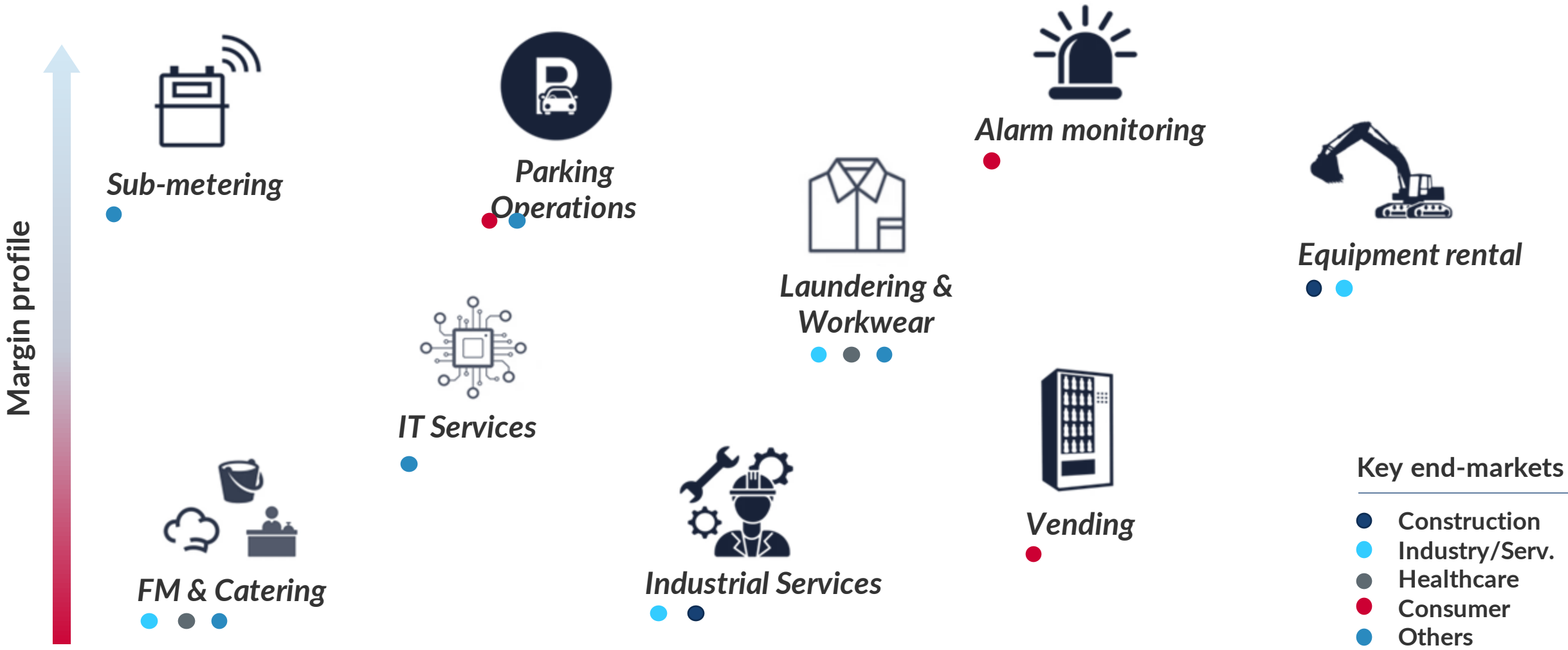
~75%

The share of private companies in CS coverage. PE dominates the space alongside family ownership

5.6x

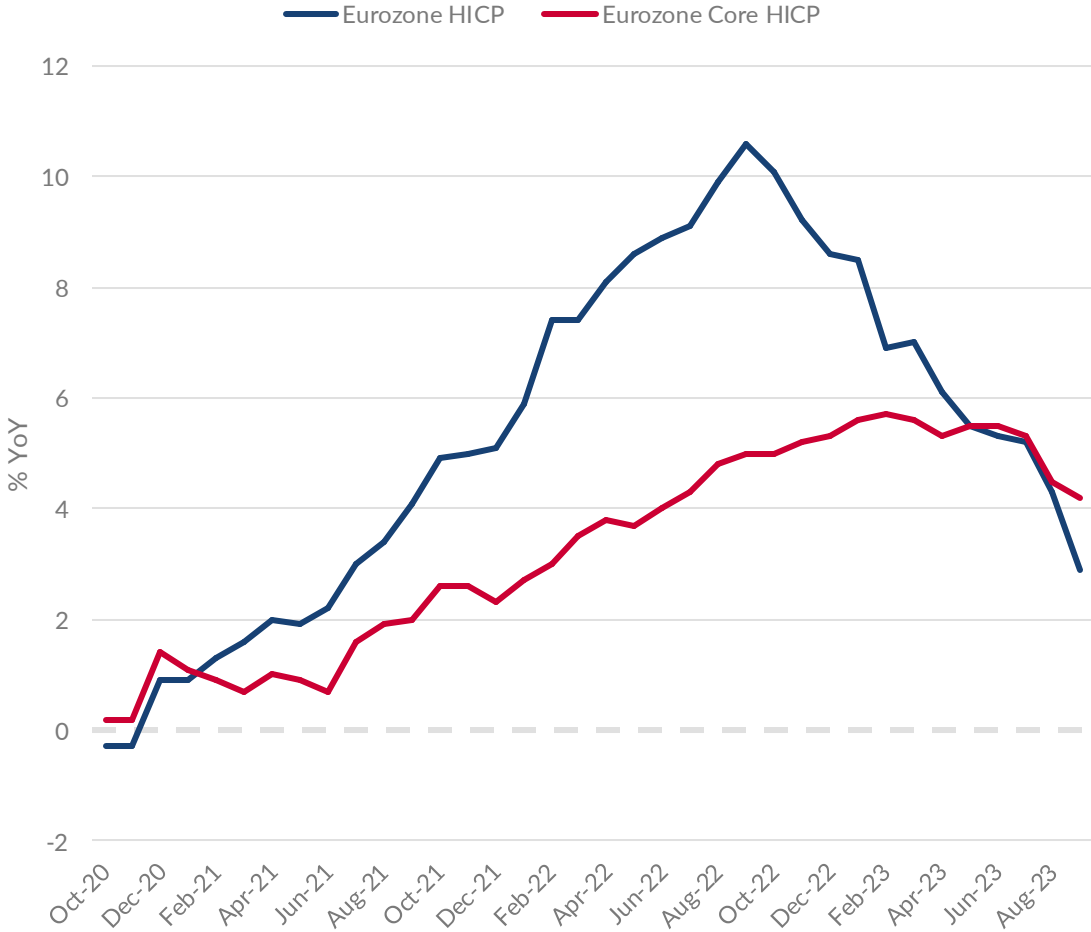
The median net leverage of Services companies under CS coverage

A Diversified Landscape

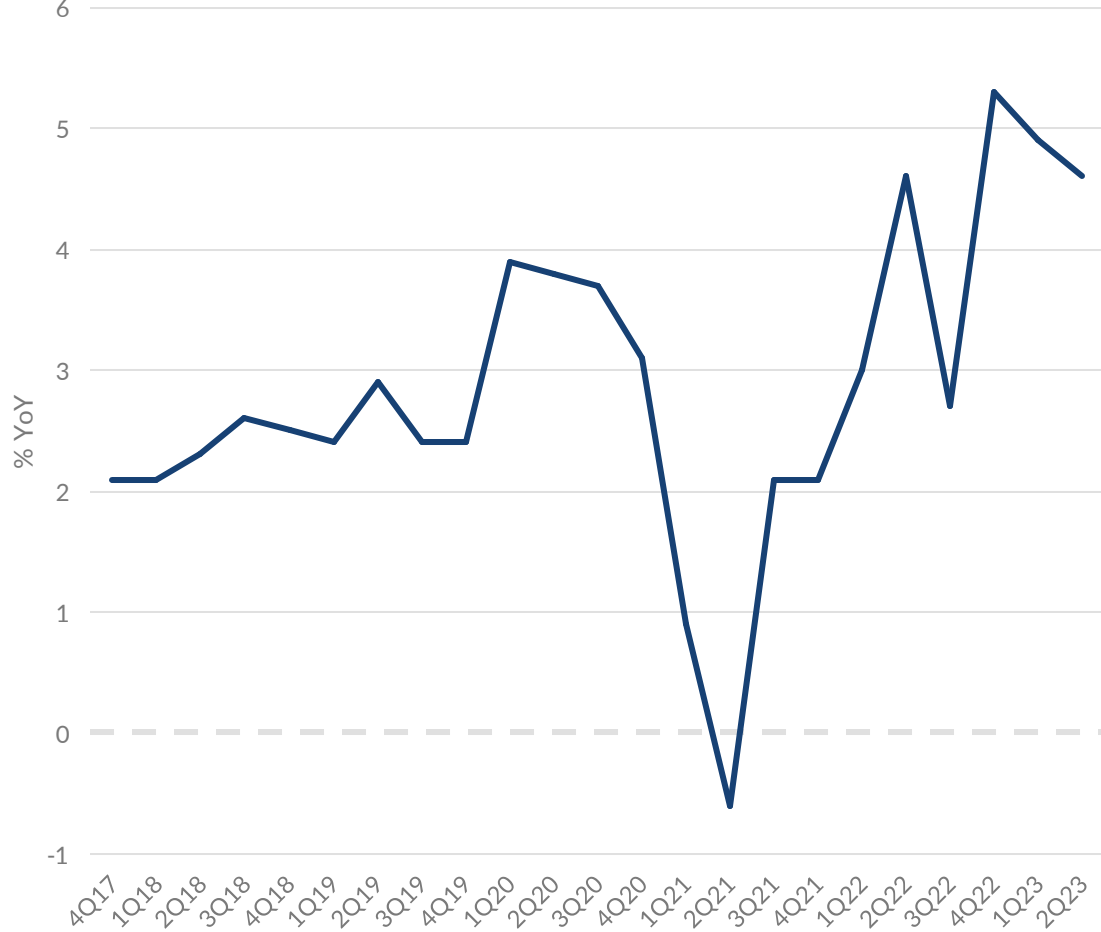


The Most Common Thread: Inflation

Eurozone HICP & Core HICP

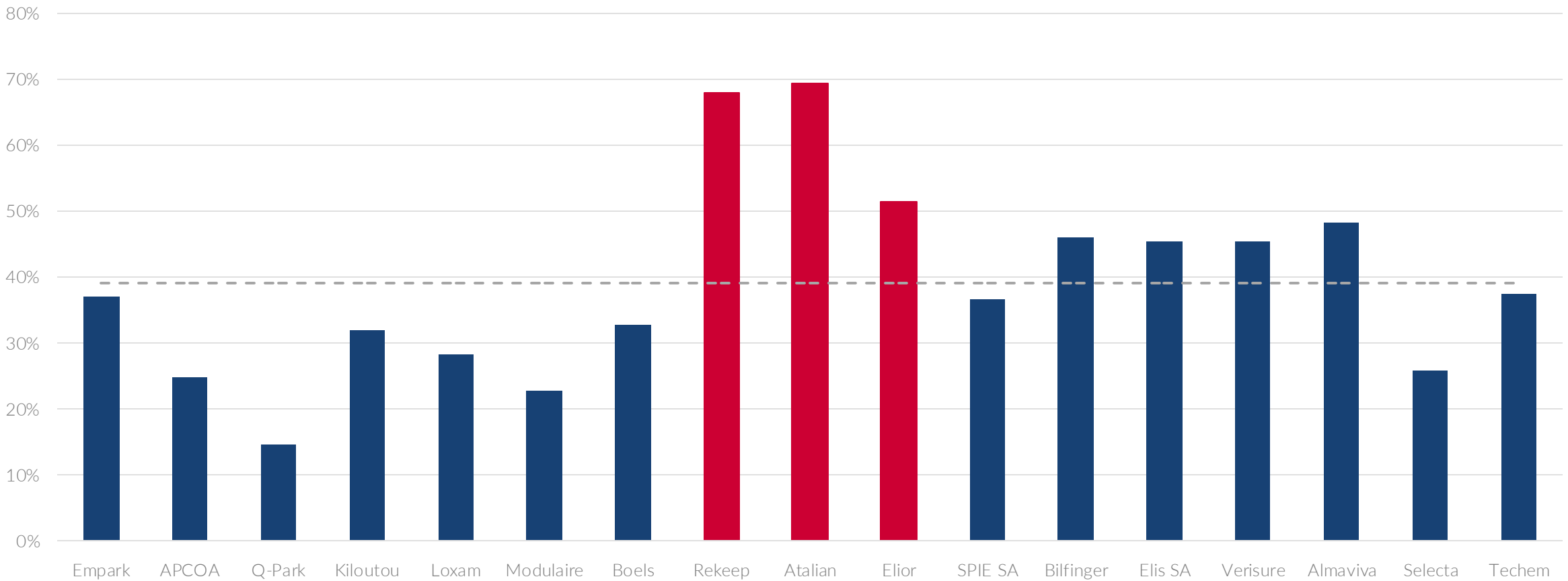


Eurozone Wage Costs



Wage Costs: a Lasting Headwind?

Pex as % of Total Costs



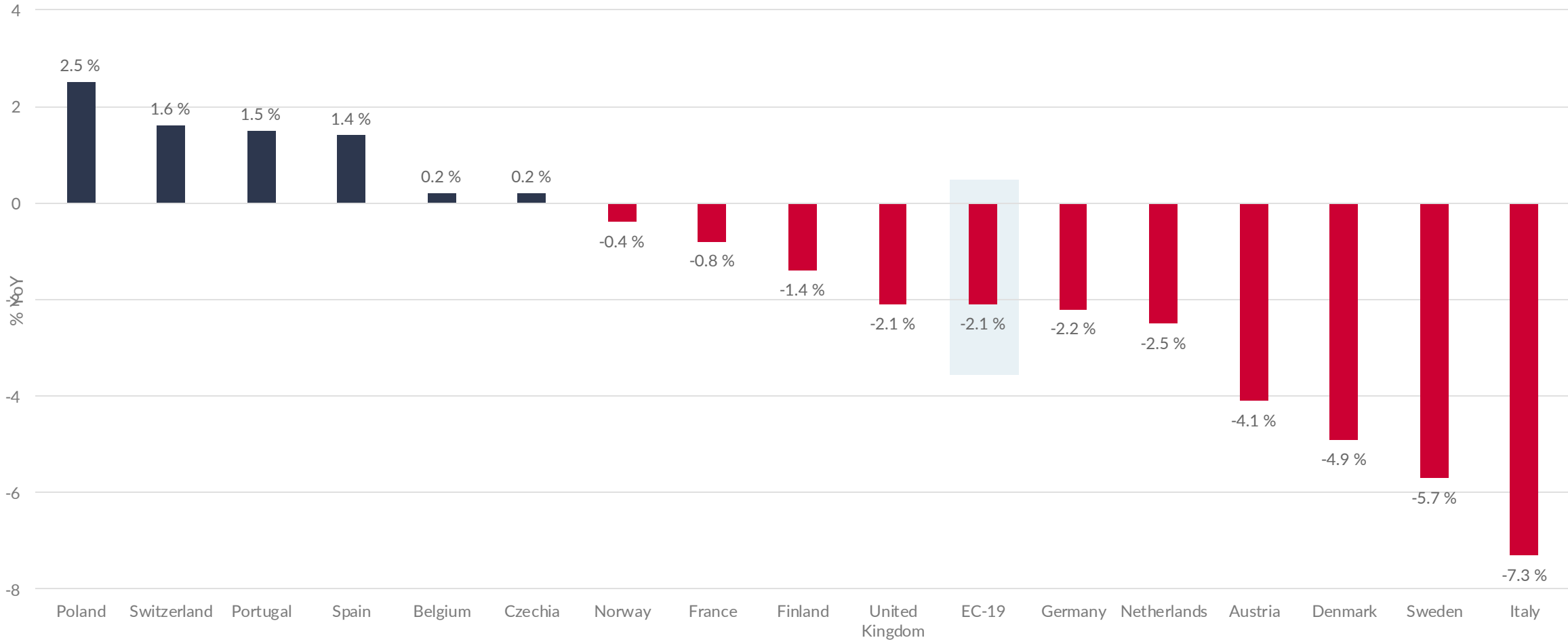
Source: Company reports.
 Notes: Latest available, including temporary workers/subcontractors if disclosed. Rekeep based on FY21 to exclude impact from energy costs pass-through on the top line.



Equipment Rental Deteriorating Outlook

Construction Market Forecast

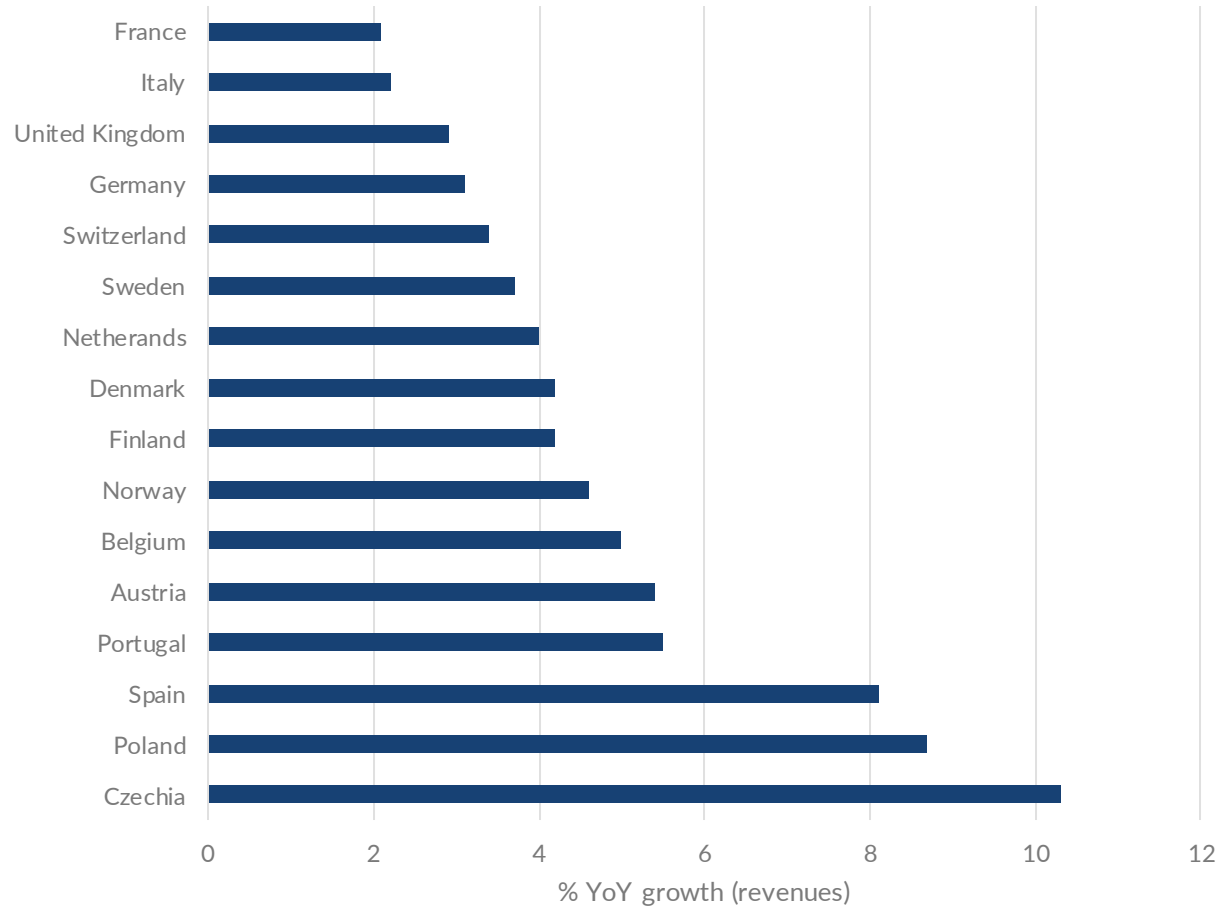
Euroconstruct 2024E (Output)



Source: Euroconstruct, Nov-23 forecast

European Rental Market

2024E (Revenues)

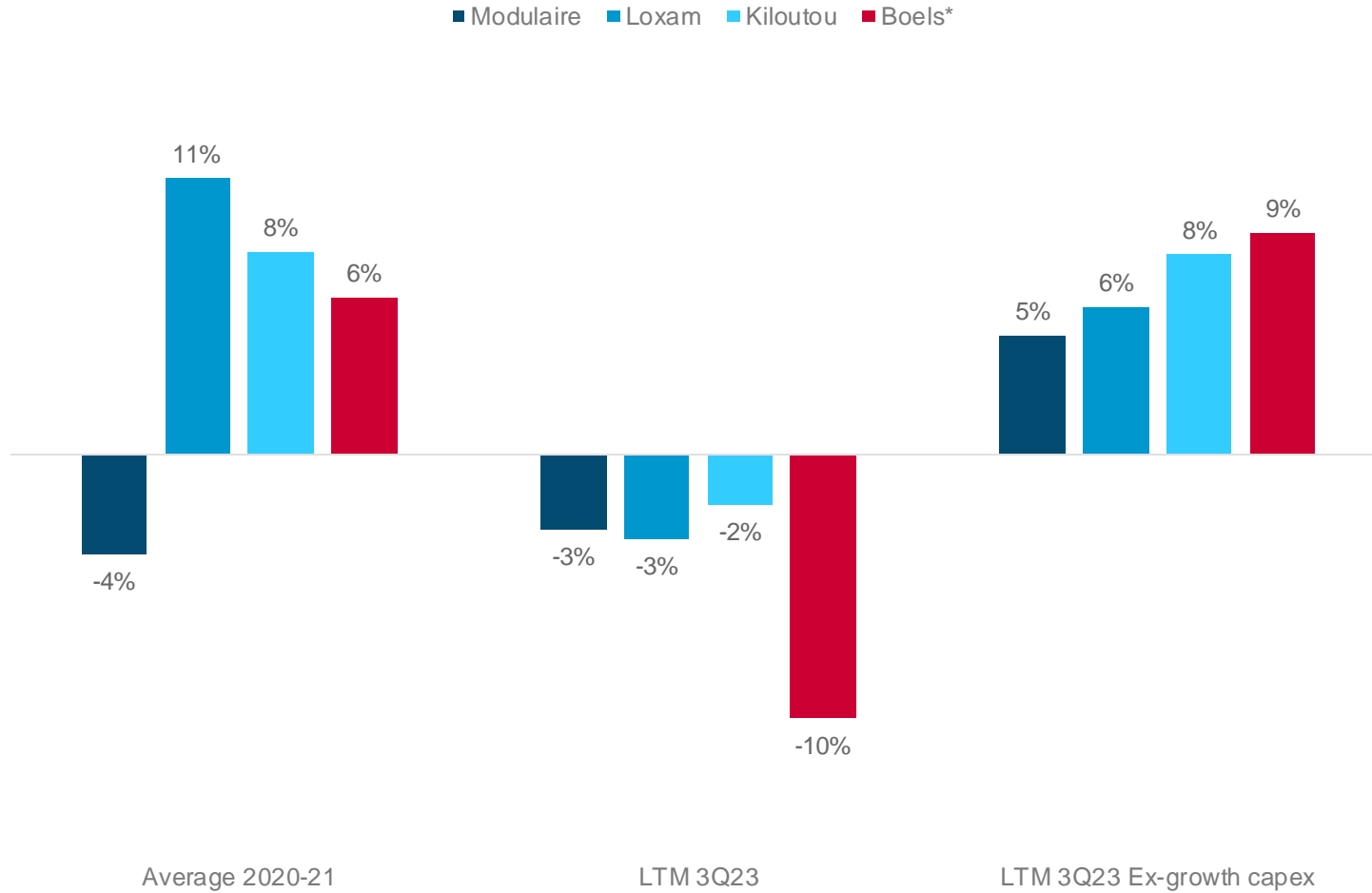


“Equipment rental markets in Europe are expected to slowdown in 2023 and 2024, with the growth that does take place related to increased rental prices rather than greater activity”

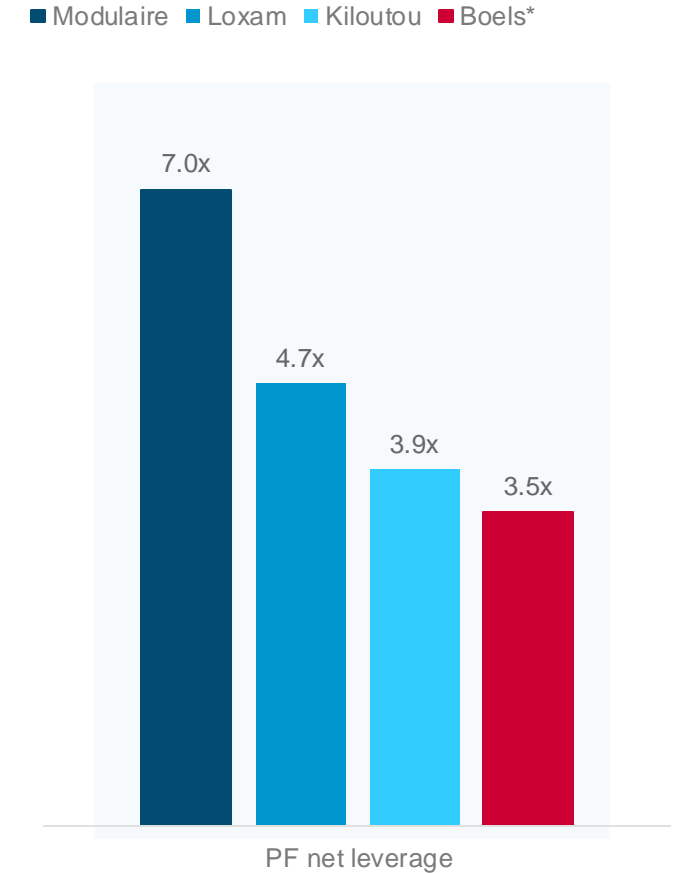
ERA / S&P Global

Credit Metrics in Focus

FCF



Net Leverage

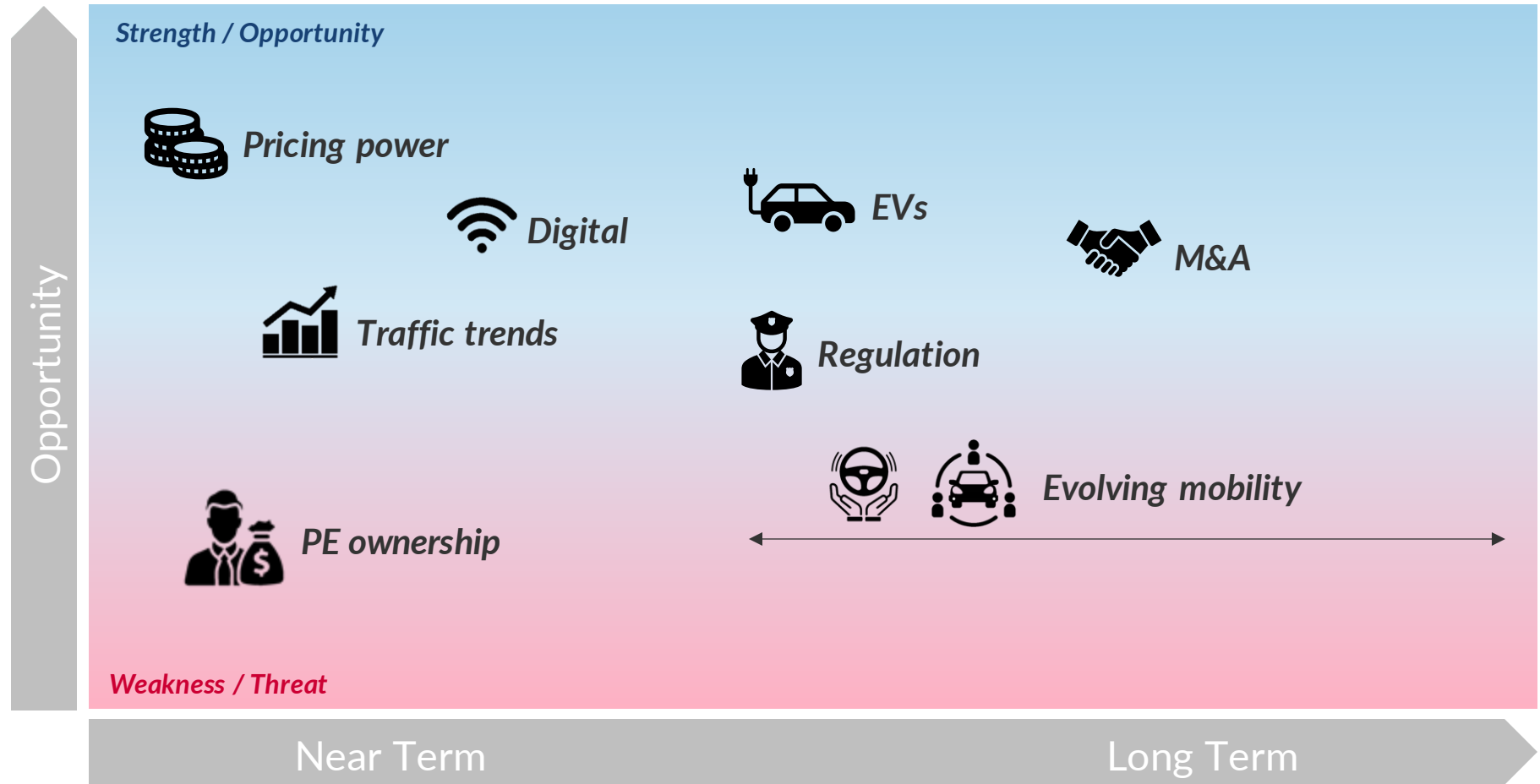


A photograph of a modern, multi-level parking garage. The scene is dimly lit, with overhead fluorescent lights and a series of red lights along the ceiling. In the foreground on the right, the rear of a dark-colored car is visible, showing its taillight. The background shows several other cars parked on different levels, with a red car being particularly noticeable on the left. The overall atmosphere is industrial and somewhat somber.

Parking Operators

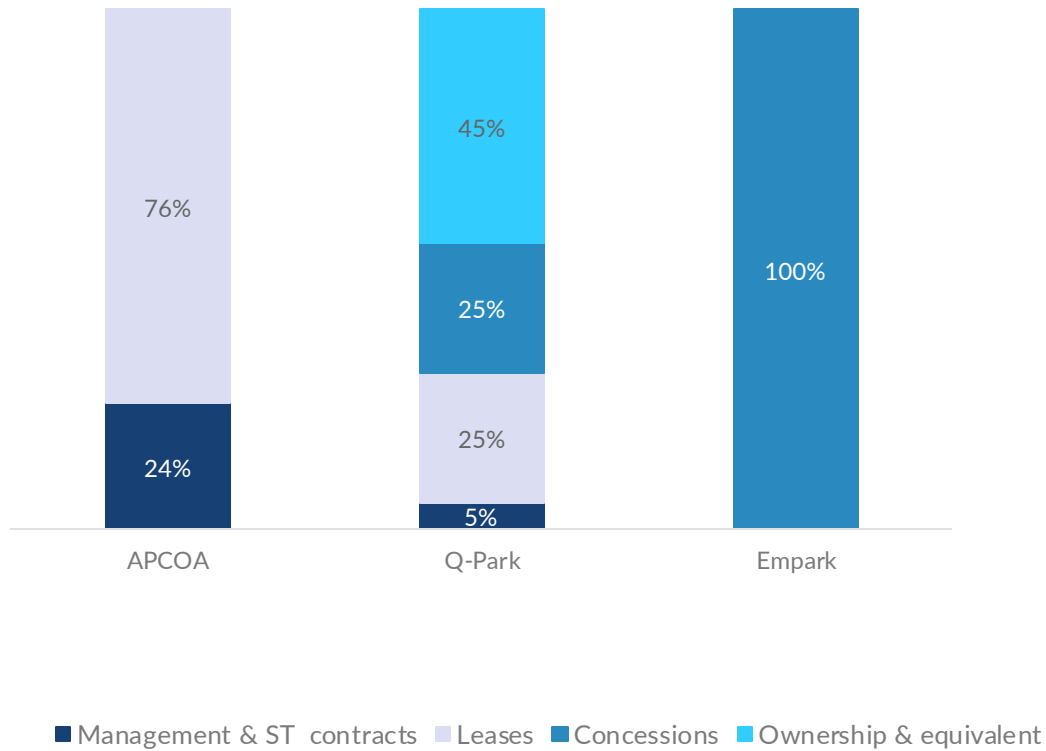
The Inflationary Play

Near Term Outlook Remains Positive

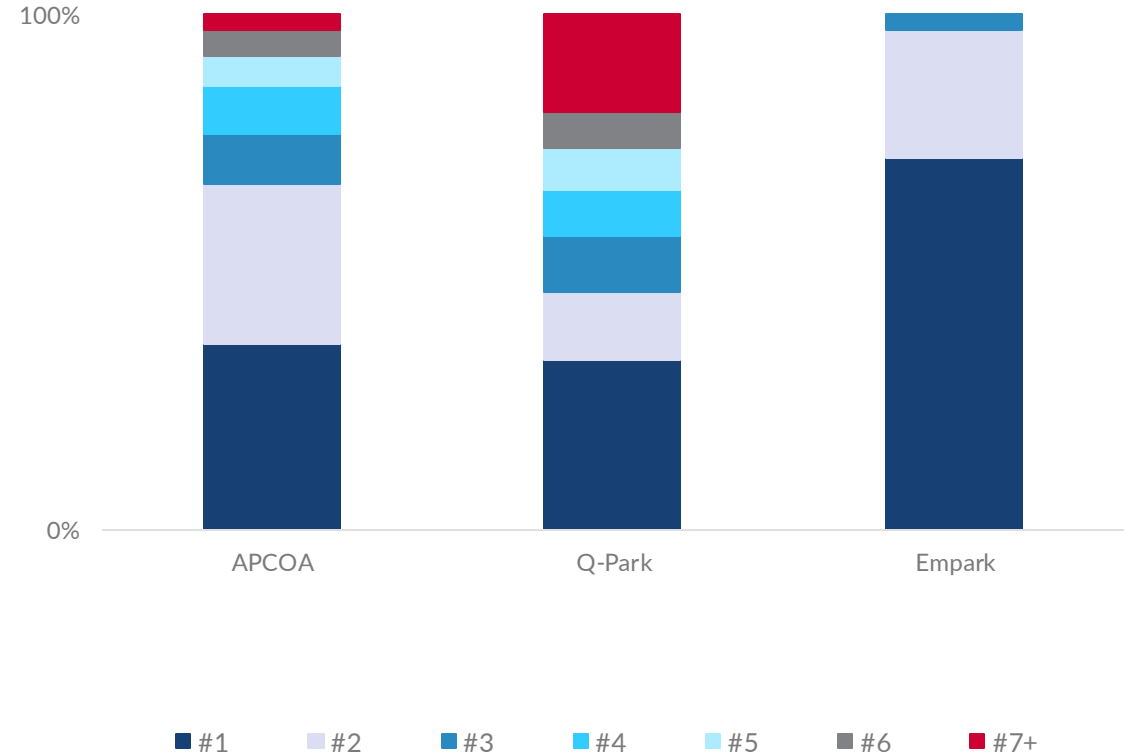


Mind the Business Model

Portfolio Composition



Geographical Reach



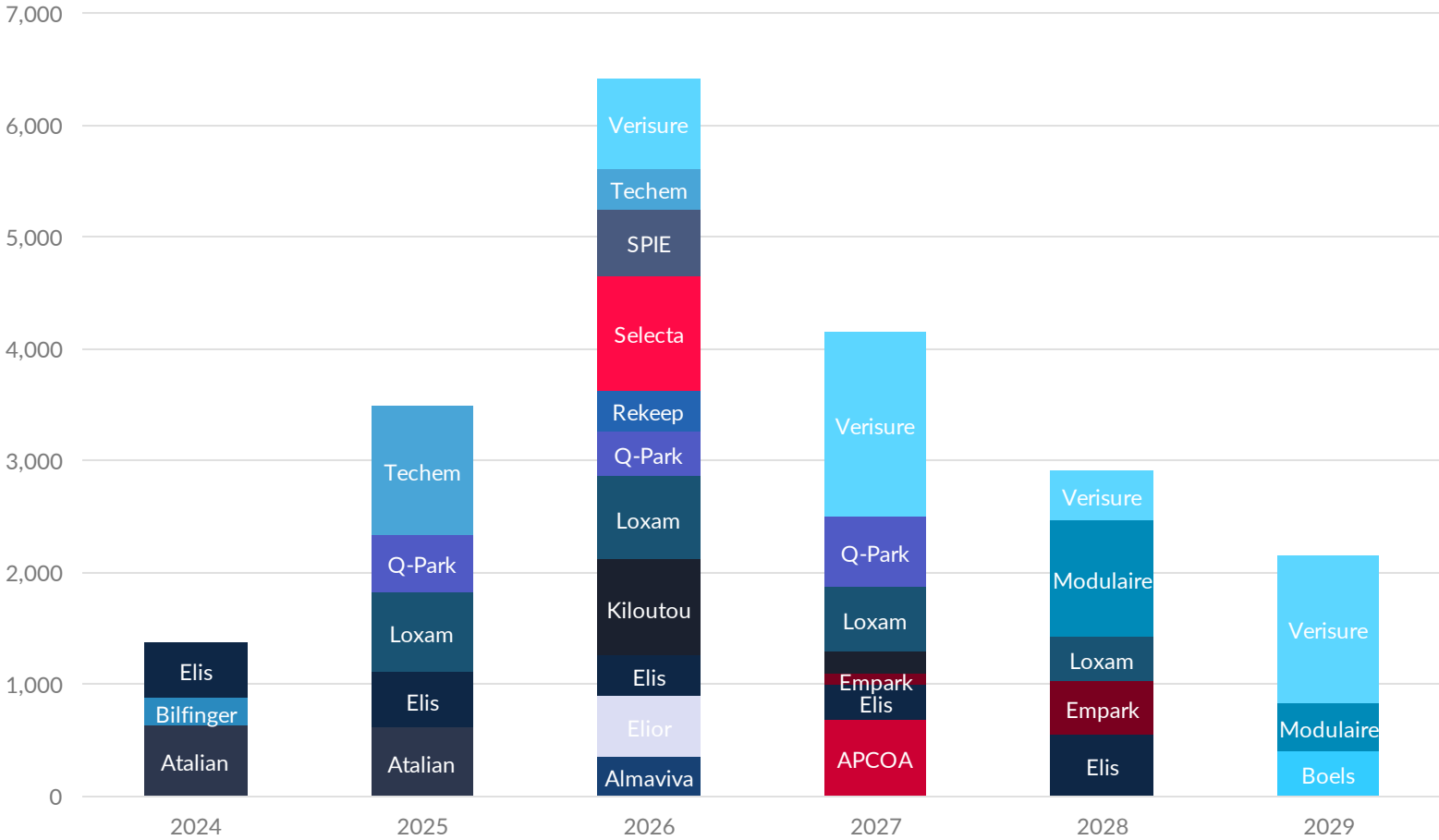
The background features a dark blue field with a fine, glowing grid pattern. Overlaid on this are several diagonal lines of bokeh lights in shades of orange and yellow. On the right side, there are larger, more distinct bokeh circles in orange and light blue, some appearing as if they are part of a larger structure or data flow.

Primary Activity




What to Expect in 2024?

A Look at the Maturity Profile






HY Services Coverage – Bond Maturity Profile



#2024

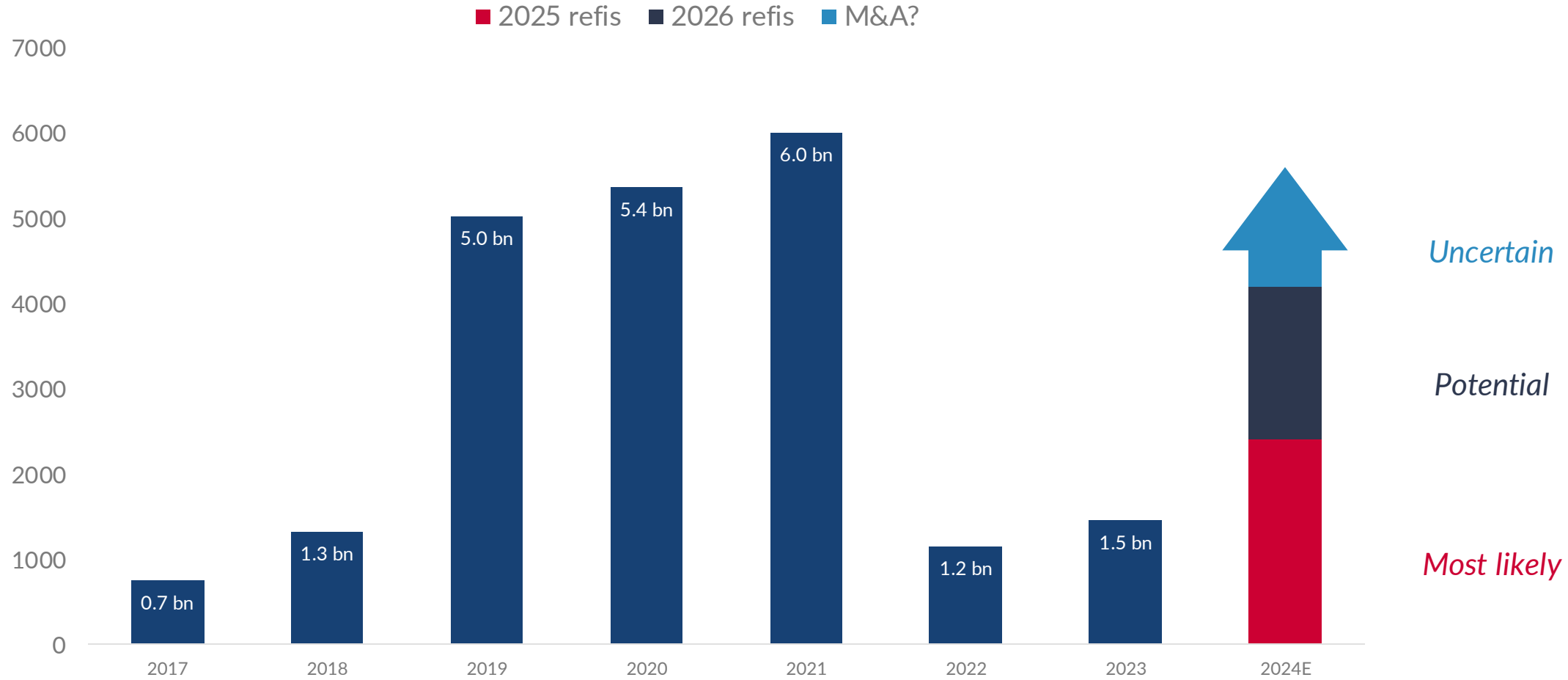
-  **Elis** – Prefinanced/cash on BS
-  **Bilfinger** – Prefinanced (may still refinance)
-  **Atalian** – Restructuring talks

#2025

-  **Techem** – IPO/Sale?
-  **Q-Park** – Likely in 1H24
-  **Loxam** – Refinanced Dec-24
-  **Elis** – Will refinance closer to maturity
-  **Atalian** – Restructuring talks

Expect a Pick-up in Primary Volumes

Primary Activity in EUR bn



Relative Value Recommendations

	O/P	M/P	U/P
BB	 	   	
	Buy	Hold	Sell
B & CCC	 	      	   

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