

Summary of the
Rating Report

**Helvetia Environnement
Groupe SA**

07 June 2017

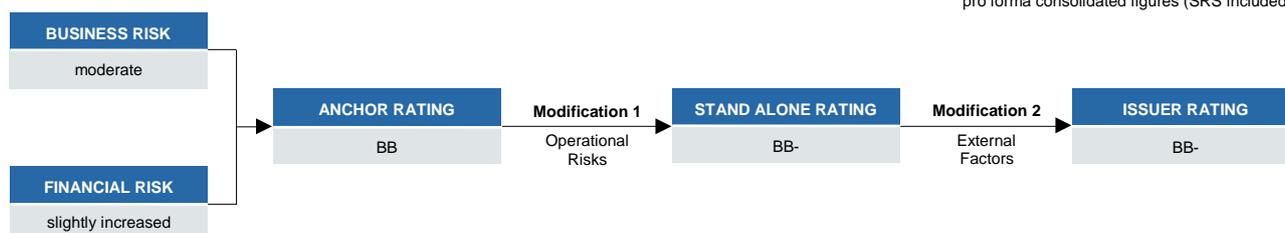


EULER HERMES
Rating

Issuer Rating

| | | | |
|-----------------------------------------|-----------------------------------------------------------|-----------------|------------|
| Helvetia Environnement Groupe SA | | 07 June 2017 | BB- |
| | | Issuer rating | |
| | | Outlook | stable |
| Sector | Waste collection, sorting and waste-to-materials & energy | 2016 Revenue* | CHF 114m |
| | | 2016 Employees* | 500 |

* pro forma consolidated figures (SRS included)



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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| BUSINESS RISK | moderate |
| <ul style="list-style-type: none"> Leading position in a regional market with continuous growth in the long-term Adequate customer diversification in terms of industry and geographic scope High barriers to entry due to regulation and required capital investment Highly fragmented market with competitive pressure and strict regulation | |

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|---------------------------------------------------------------------------------------------|------------|
| OPERATIONAL RISKS | - 1 |
| <ul style="list-style-type: none"> Integration risks through external growth | |

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| FINANCIAL RISK | slightly increased |
| <ul style="list-style-type: none"> Increased indebtedness and increased financing costs as a result of external growth Capital structure impacted by a high level of goodwill Reasonable earnings level and stable cash flows ensured by a wide client base and mid-term contracts Adequate financial flexibility | |

| | |
|--------------------------------------------------------------------------------|------------|
| EXTERNAL FACTORS | ± 0 |
| <ul style="list-style-type: none"> No relevant external factors | |

Rating History

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|----------------|---------------------|--|--|
| | 07 June 2017 | | |
| Rating | BB- | | |
| Outlook | stable | | |

Rating Rationale

Euler Hermes Rating assigns a BB- issuer rating to Helvetia Environnement Group SA (HEG). We expect the rating to remain stable over the next twelve months.

Moderate business risk due to an established market position and positive prospects in a competitive environment

We assess HEG's **business risk profile** as **moderate**. We value positively the established market position within the highly fragmented Swiss waste management market and the good market prospects. HEG has a solid and diversified client base in terms of industry and geography in Western Switzerland. To further improve its market position and to take advantage of synergies, HEG pursues an external growth strategy by seizing the consolidation opportunities within the Swiss waste management market. Risks arising from the proactive acquisition strategy are mitigated in our view by a good track record and the integration know-how developed over the last 15 years. HEG's most recent acquisition of the peer competitor SRS made HEG a leading group for waste management and environmental services in Switzerland. With regard to this, we think that HEG is well prepared to benefit from market growth prospects through its extended client portfolio, geographic scope and infrastructure network. HEG's position is further strengthened by the high barriers to entry of the Swiss waste market due to significant capital and regulatory requirements. With view to the main segments of waste services for municipalities and private businesses, we see an overall moderate exposure to economic cycles and generally stable market conditions with growing waste volumes and demand for recycling services. Growth drivers are the increasing environmental regulations and awareness, demographic change and improvement of social conditions. Nevertheless, we identified some remaining key risks with regard to the liberalised and highly competitive market, which typically results in moderate to high pricing pressure. Further risks could also arise from adverse amendments to the regulatory framework that would require high capital investments.

Slightly increased financial risks due to only modest expectations regarding key credit ratios post SRS merger

We assess HEG's **financial risk profile** as **slightly increased**. Contrary to the group's internal projections, we only have modest expectations regarding the operating performance post merger with SRS and anticipate risks with respect to increased financial liabilities, increased interest expenses and the significant proportion of acquired goodwill. As a consequence we expect our adjusted key credit ratios such as net debt/EBITDA and interest coverage to remain below investment grade levels in the medium term. Thanks to economies of scale and potential synergies after a successful integration of SRS, key credit ratios have the potential to improve slightly in our opinion should the pace of external growth slow down. Despite this, we note that in the course of 2017 the capital structure will benefit from a substantial capital increase, a deeply subordinated equity-like shareholder loan and a reorganisation of financial liabilities through a planned bond issuance. Generally we think, that the existing financial risks are partially mitigated by the high proportion of recurring revenues backed by mid-term contracts of five to seven years. This ensures a reasonable stability of the operating cash flows in our view. During the analysed past periods, the operating cash flow was sufficient to cover the investing cash flow which implies an overall satisfying internal funding policy to us. With view to the 2017 capital measures, the proposed no-dividend policy and access to unutilised funding facilities we assess HEG's overall financial flexibility as adequate.

Anchor Rating modified

With respect to the available information, we downgrade the anchor rating by one notch due to adjustments for acquisitions and integration risks.

Execution of the Rating

This report represents a highly abridged summary of the complete rating report issued on 7 June 2017. The full rationale for the rating notation is given in the complete rating report that was presented to the company and has not been published by Euler Hermes Rating GmbH.

The rating request was submitted by Helvetia Environnement Groupe SA (client) on 19 May 2017. The company was visited on 31 May 2017. This rating report was presented to the client on 07 June 2017, meaning that the rating process has now been concluded. The notation proposal and the report on which it was based were reviewed by the Rating Committee on 06 June 2017 and approved in their current form. If this rating is not made public, the rating refers to this date. If the rating assessment is published on the rating agency's website (www.eulerhermes-rating.com), it will be followed by a subsequent one-year monitoring process. During this period, the company and the environment in which it operates remain under observation. The rated company is subject to unrestricted disclosure obligations during this period. Any change in the rating agency's assessment will result in a change in the published rating, meaning that the rating as shown on the internet represents the current rating assessment at all times. Continued publication after the expiry of the monitoring period is contingent upon a follow-up rating being conducted.

The client is solely and exclusively liable for any errors or omissions in the documents and information supplied openly and willingly in response to our requests for information. The client has reviewed the rating report and confirms that all of the information which it contains is correct and complete in all significant respects, that no major aspects have been concealed and that any forward-looking statements which it may include are based on plausible, verifiable and current data and have been prepared by the client with the diligence of a prudent businessman. However, the client cannot be held liable if actual results differ from the forward-looking statements, in particular the projections, presented in this document. Changes in the economic environment and unforeseen events may impair the validity of the forward-looking statements and projections.

The rating report may not be construed as constituting a recommendation to participate in certain facilities. All recipients of the information should conduct their own independent analyses, credit assessments and other reviews and evaluations which are customary and necessary to reach a final decision about the participation in certain facilities. It should be noted that the summaries of contracts, legislation and other documents included in the report are no replacement for examination of the corresponding full texts. As of the date on which this information is published, it is not possible to guarantee that the information has not changed since being collected and that all information provided is still valid. The client is under no obligation to update the information.

The publication of this rating report may be prohibited by law in certain jurisdictions. Euler Hermes Rating GmbH therefore requests that any persons who gain possession of this information enquire about and comply with any such restrictions. Euler Hermes Rating GmbH does not assume any liability of any kind towards anyone with respect to the dissemination of this rating report in any jurisdiction whatsoever.

The client's management has submitted to Euler Hermes Rating GmbH a written letter of representation.

We have prepared this report to the best of our abilities and knowledge

Euler Hermes Rating GmbH

Hamburg, 07 June 2017

Analysts

Michel Graire, analyst and project manager
Matthias Peetz, senior analyst

Rating committee

Holger Ludewig, director
Jörg Walbaum, senior analyst

Principal sources of information

- Financial statements for 2014, 2015, 2016
- Planning until 2021
- Market analyses
- Investors' presentation
- Interviews with management
- Organisation legal structure
- Shareholder and loan agreements
- Due diligence documents
- Documents on business processes

Rating methodology

Issuer rating of Euler Hermes Rating GmbH of May 2016
(<http://www.ehrg.de/seiten/Methodology2016.pdf>)

Appendix 1: Rating Categories

| Category | Explanation |
|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| AAA | In the opinion of EHRG, AAA rated entities demonstrate an excellent credit quality and the lowest default risk. |
| AA | In the opinion of EHRG, AA rated entities demonstrate a very high credit quality with a very low default risk. |
| A | In the opinion of EHRG, A rated entities demonstrate a high credit quality with a low default risk. |
| BBB | In the opinion of EHRG, BBB rated entities demonstrate a medium credit quality with a moderate default risk. |
| BB | In the opinion of EHRG, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk. |
| B | In the opinion of EHRG, B rated entities demonstrate a low credit quality with an increased default risk. |
| CCC | In the opinion of EHRG, CCC rated entities demonstrate a very low credit quality with a high default risk. |
| CC | In the opinion of EHRG, CC rated entities demonstrate a very low credit quality, an event of default is very likely. |
| C | In the opinion of EHRG, C rated entities demonstrate a very low credit quality, an event of default is imminent. |
| D / SD | D rated entities have defaulted, as defined by the rating agency. The rated entity is assigned an SD rating (Selective Default) if it has only defaulted on certain debt obligations. |
| PLUS (+) MINUS (-) | Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the rating category. |