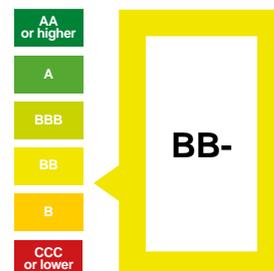




TRIBRating

by Euler Hermes Rating



TRIBRating

BB-



Outlook

STABLE

18 October 2019

Helvetia Environnement Groupe SA

Company Profile: HEG SA provides waste management services. The company offers waste collection, treatment, and waste-to-energy services. HEG mostly serves customers in the French-speaking part of Switzerland. HEG was founded in 2000 in Geneva.

Sector : Public and community services
Revenues (2018) : € 119m
Employees (2018) : 500

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Helvetia Environnement Groupe SA

Summary

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

HEG's sector profile is supported by an overall low to moderate exposure to economic cycles and generally stable market conditions with growing waste volumes and a growing demand for recycling services and outsourcing of facility management. HEG's business profile is underpinned by a leading market position along with a diversified client base in the highly fragmented Swiss French-speaking part. Even if HEG's geographic diversification remains weak, its position is strengthened by the high barriers to entry of the Swiss waste market due to significant capital and regulatory requirements. HEG's financial profile is characterized by increased external funding, growing financing costs and the significant proportion of acquired goodwill. Thanks to economies of scale from new investments and M&A activities, key credit ratios have the potential to improve slightly in our opinion should the pace of external growth slow down over the long-term. Despite goodwill adjustments, we acknowledge the adequate capital structure benefiting from recurring increases in share capital and shareholder loans. Overall, existing financial risks are partially mitigated by the high proportion of recurring revenues backed by mid-term contracts.

Key Rating Factors

Broad Factors	Factors Weighting	Sub-Factors	Sub-Factors Weighting	Sub-Factors Score	Factors Score	
Sector Profile	12.5%	Sector Volatility	7.5%	BBB	BBB	
		Sector Outlook	5%	BBB		
Business Profile	17.5%	Competitive Position	10%	BB	BB	
		Concentration Risk	7.5%	BB		
Financial Profile	70%	Size	5%	BBB+	B+	
		Profitability	10%	B-		
		Leverage	<i>Liabilities/EBITDA</i>	27.5%		BB-
			<i>FFO/Liabilities</i>			B
		Capitalization	<i>Equity Ratio</i>	22.5%		BB+
			<i>Leverage Ratio</i>			B+
Coverage	5%	CCC or lower				
Grid-Indicated Outcome					BB-	
Notching Adjustments	Liquidity	+1 to -3	0			
	Debt Structure	+1 to -2	0			
	Strategic and Operational Management	+1 to -2	0			
	Governance and Financial Policy	+1 to -2	0			
Scorecard-Indicated Outcome					BB-	
Other Rating Considerations					0	
TRIBRating					BB-	

TRIB RATING
For SMEs & MidCaps

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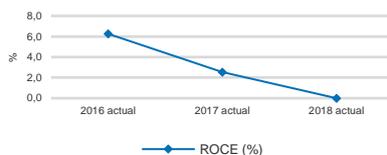
TRIBRating is a product of Euler Hermes Rating GmbH.

Financial History¹

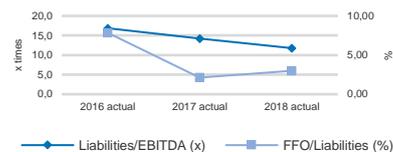
Size



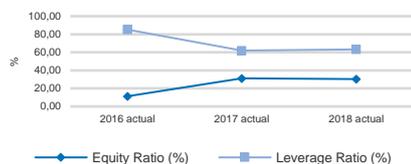
Profitability



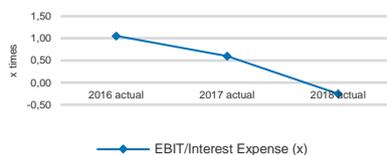
Leverage



Capitalization



Coverage



¹ Source: EHRG-adjusted annual figures.

Credit Strengths

- Historically low to moderate sector volatility of the Swiss waste market
- Positive sector outlook with fundamental business conditions expected to slightly improve over the medium-term
- High barriers to entry due to regulation and required investment volumes
- Adequate EBITDA-margin and stable cash flows ensured by a wide client base and mid-term contracts
- Long-term investment strategy supported by long-term-oriented investors

Credit Challenges

- Highly fragmented market exerting some price pressure on tenders
- Continuous dynamic growth backed by external funds is leading to increased financing costs and impaired operating margins
- Impairment risks with regard to the high level of goodwill as a result of significant external growth

Factors that could affect the Rating

Factors that could lead to an Upgrade

- Significant improvement of profitability, capitalization, leverage profile and coverage
- Continuous strengthening of the competitive position along with a better diversification profile
- Major increase of internally generated cash flows

Factors that could lead to a Downgrade

- Deterioration of the business conditions and of the competitive position
- Downgrading of the financial profile
- Tightening of the liquidity situation and a challenging maturity profile (e.g. upcoming bullet repayments)

Company Profile

Helvetia operates in the waste collection, sorting and waste-to-energy sector mostly in the French-speaking part of Switzerland

Helvetia Environnement Groupe SA (HEG) historically operates in the waste collection, waste sorting, waste-to-materials and waste-to-energy sector in the French-speaking part of Switzerland, Romandie. HEG has become the market leader in Switzerland with the acquisition of Swiss Recycling Services SA (SRS) – a peer competitor with similar size – in February 2017. SRS was a competitor of HEG operating in the north of Romandie and was part of the French waste management group Veolia Environnement prior to 2012. In 2018 HEG has announced a shareholding in the family-owned and Roche-based company Constantin SA. A participation in this relatively small recycling company enables HEG to extend its infrastructure and increase the treated volume. HEG was founded in 2000 and is based in Geneva with a current workforce of around 500 employees including SRS.

HEG is a generalist waste management company

HEG operates as a generalist waste manager and relies – in contrast to specialist and local waste management companies – highly on a large infrastructure network and a regional geographic scope. HEG's infrastructure includes sorting and recycling centers, waste collection and disposal facilities as well as sites for conversion of waste-to-energy. HEG's direct clients are municipalities, companies and international organisations. HEG now has a market share of around 10% in the Swiss waste management market of private providers. SRS has been completely integrated to HEG, in addition to the three historical segments: Transvoirie SA, Sogetri and Leman Bio Energie. Transvoirie is the group's most significant business segment in terms of turnover. It operates the collecting waste for municipalities and companies as well as from recycling points. It includes ancillary services like the sale and installation of containers and disposal points, maintenance, cleaning and consulting. The second main business segment, under the brand Sogetri, deals with the operation of sorting centers and the processing of waste-to-materials. It covers the sorting and treatment of general collected waste, construction waste, industrial and organic waste, followed by recycling and treatment of waste materials. The third business segment deals with processing waste-to-energy and is operated by the subsidiary Leman BioEnergie, which takes charge of the production and sale of biodiesel from used cooking oils.

Main shareholders include the founder family, the management and two private equity funds

HEG is a Swiss privately owned company that has been created in 2000 by the Chavaz family which stills holds a share in the company. The Chavaz family has significant experience in the Swiss waste management market. HEG is managed by CEO Mr. Vincent Chapel and COO Mr. Jean-Pierre Tétaz, who have joined the company in 2010 and who together hold shares through an MBO. The remaining shares are held by two institutional investors namely UBS Clean Energy Infrastructure and Reichmuth Infrastruktur Schweiz that are backed by pensions funds. HEG as it is today is the result of 13 successive acquisitions including SRS and Constantin since 2000. HEG has a board of directors in a supervisory role. It is composed of 9 members including 2 members for each shareholder and an independent member, a former CEO of Suez Environnement. The second management organ is the executive board, which includes the executive directors.

Rating History

	7 June 2017*	18 October 2018*	18 October 2019
Rating	BB-	BB-	BB-
Outlook	stable	stable	stable

* in accordance with the issuer rating methodology of Euler Hermes Rating GmbH from May 2016

Related Information

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Rating committee

Holger Ludewig, Director, Euler Hermes Rating GmbH, Germany
Jörg Walbaum, Senior Analyst, Euler Hermes Rating GmbH, Germany

Principal sources of information

- Consolidated financial statements for 2016, 2017, 2018
- Interim results half-year 2019
- Forecast 2019
- Market analyses
- Documents on the corporate structure
- Company visit and interviews with management

Rating methodology

SME Rating Methodology (Switzerland) of 28 August 2019 by Euler Hermes Rating GmbH, available at www.tribrating.com

Please refer to EHRG's Basic Principles for Assigning Credit Ratings and Other Services, which is available at www.eulerhermes-rating.com, for the meaning of EHRG's opinion(s).

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.

Appendix 2: Metrics Definitions

Quantitative credit metrics may incorporate some accounting adjustments to the income statement, cash flow statement and balance sheet amounts. Analysts may perform some analytical adjustments to account for specificities of a SME.

Size

Revenues
Total Revenues (EUR Mn)

Profitability

ROCE
Numerator
Operating result (=EBIT)
Denominator
Net financial debt + equity (=capital employed)

Financial Debt
Bonds
+ Liabilities to banks
+ Other interest-bearing liabilities
+ Operating lease liabilities
+ Adjustments for ABS / factoring transactions

Leverage

Liabilities / EBITDA
Numerator
Total assets - equity
Denominator
EBITDA

FFO / Liabilities
Numerator
Funds from operations
Denominator
Total assets - equity

Funds from Operations
Net income
+ Depreciation and Amortization
+ Deferred income taxes
+ Minority interest
+ Other non-cash items

Capitalization

Equity Ratio
Numerator
Equity
Denominator
Total assets

Leverage Ratio
Numerator
Financial debt
Denominator
Financial debt + equity

Coverage

EBIT / Interest Expense
Numerator
Operating result (=EBIT)
Denominator
Interest expense

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