

# Issuer Rating (Summary)

|   |   |                  |            |
|---|---|------------------|------------|
| <b>Helvetia Environnement Groupe SA</b> |   | 13 November 2020 | <b>BB-</b> |
|   |   | Issuer rating    |            |
|   |   | Outlook          | stable     |
| Sector                                  | Waste collection, sorting and waste-to-materials & energy | 2019 Revenue     | CHF 117m   |
|   |   | 2019 Employees   | 500        |



|  |          |
|--|----------|
| <b>BUSINESS RISK</b>   | moderate |
| <ul style="list-style-type: none"> <li>Moderate cyclicality of the Swiss waste market</li> <li>Leading position in a fragmented market with continuous growth in the long-term supported by structural changes</li> <li>Diversified customer portfolio in terms of industry</li> <li>High barriers to entry due to regulation and required capital investment</li> </ul> |          |

|  |     |
|--|-----|
| <b>OPERATIONAL RISKS</b>   | ± 0 |
| <ul style="list-style-type: none"> <li>Operational risk profile consistent with the anchor rating; no modification required</li> </ul> |     |

|  |                                |
|--|--------------------------------|
| <b>FINANCIAL RISK</b>  | increased / slightly increased |
| <ul style="list-style-type: none"> <li>Constrained key credit ratios due to growing asset base coupled with lagging operational performance</li> <li>Shareholders' long-term financial commitment</li> <li>Generally stable operating cash flows ensured by a wide client base and mid-term contracts</li> <li>Adequate financial flexibility</li> <li>Negative impact of COVID-19 pandemic</li> </ul> |                                |

|   |     |
|---|-----|
| <b>EXTERNAL FACTORS</b>   | ± 0 |
| <ul style="list-style-type: none"> <li>Assessment of intra-group or public-sector relations causes no modification</li> </ul> |     |

| Key financial ratios               | 2016 <sup>1)</sup> | 2017 <sup>1)</sup> | 2018 <sup>1)</sup> | 2019 <sup>1)</sup> |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| EBITDA-Margin (%)                  | 18.6               | 15.8               | 12.3               | 12.7               |
| ROCE (%)                           | 6.3                | 3.0                | -1.2               | -1.5               |
| Equity ratio (%)                   | 11.3               | 29.3               | 30.4               | 24.4               |
| Debt to equity ratio (%)           | 84.7               | 52.0               | 58.8               | 68.7               |
| Total liabilities / EBITDA         | 5.9                | 7.0                | 8.5                | 9.3                |
| Net financial liabilities / EBITDA | 4.2                | 3.2                | 5.3                | 6.6                |
| EBIT interest coverage             | 1.1                | 0.6                | -0.3               | -0.3               |
| EBITDA interest coverage           | 3.4                | 3.3                | 2.3                | 2.2                |

<sup>1)</sup> actual ratios based on HEG's annual statements (adjusted on the basis of EHR's analytical principles)

# Rating Rationale

**Euler Hermes Rating confirms the BB- issuer rating for Helvetia Environnement Groupe SA (HEG). The underlying factors are a combination of a moderate business risk profile and an increased to slightly increased financial risk profile with no further modifications. The rating outlook is stable.**

***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**. HEG's business risk profile is underpinned by a leading market position within the highly fragmented and moderately cyclical Swiss waste management market along with good market prospects. HEG's business profile is supported by a diversified client base in terms of industry in Western Switzerland. In comparison with other European peers, HEG's geographic diversification remains weak. To further improve its market position and to take advantage of synergies, HEG pursues an external growth strategy by seizing consolidation opportunities within the Swiss waste management market. HEG's major acquisition of the peer competitor SRS in 2017 made HEG a leading group for waste management and environmental services in Switzerland. Considering this position and its extended client portfolio, geographic scope and infrastructure network we think that HEG is well prepared to benefit from market growth prospects. 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 a growing demand for recycling services and outsourcing of facility management. Even if the COVID-19 situation has led to a turnover drop in 2020, we consider such an event as extraordinary in the assessment of the market cyclicality. Structural 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.

***Increased to slightly increased financial risks due to constrained key credit ratios currently impacted by COVID-19***

We assess HEG's **financial risk profile** as **increased to slightly increased**. Our expectations regarding HEG's operating performance remain rather cautious as the COVID-19 pandemic still affects the Swiss economic situation. We also anticipate risks with respect to prevailing integration risks, needs for external funding, and the significant proportion of acquired goodwill. Because of a significantly grown asset base, funded by continuous growth in external funding, on the one hand, and a lagging improvement in operational performance on the other hand, profitability continuously decreased to currently unsatisfying levels. Also, deleveraging potential and interest coverage came down from adequate to rather weak levels by 2019. We are of the opinion that the capability of generating fairly stable operating cash flows might help Helvetia to bear increased debt levels through longer periods, provided that interest rates remain low. Furthermore, with view to the shareholders' long-term financial commitment, the liquidity position as of September 2020, a proposed no-dividend policy and access to unutilised and/or new funding facilities we assess HEG's overall financial flexibility as still adequate.

***Assessment on operational risk and external influence requires no modification***

In our opinion, Helvetia's structures, processes and systems for controlling its operations and handling its operational risk are in consistence with the current anchor rating. A rating modification is not required. The further assessment of external factors which might have an impact on Helvetia's standalone rating, such as intra-group or public-sector relations, does also not trigger a rating modification according to our methodology.

## Upgrade / Downgrade Factors

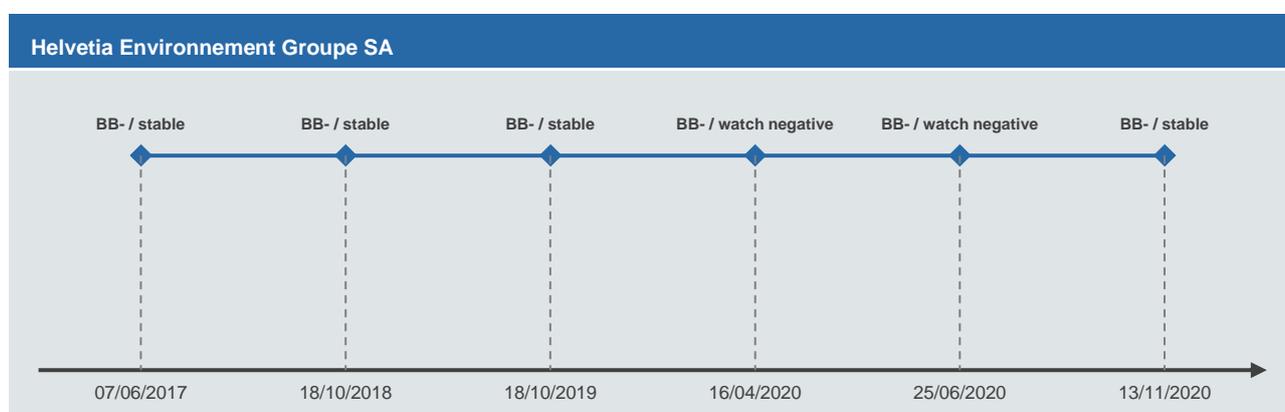
**Factors that could lead to an Upgrade**

- Significant improvement of profitability, capitalization, leverage profile and coverage
- A better diversification profile
- Major increase of internally generated cash flows

**Factors that could lead to a Downgrade**

- Further deterioration of the business conditions and of the competitive position
- Weakening of the financial profile
- Tightening of the liquidity situation

## Rating History



# Company

***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. With the acquisition of Swiss Recycling Services SA (SRS) in February 2017, HEG became the market leader in Switzerland. SRS is operating in the north of Romandie and used to belong to French Veolia Environnement group in the past. In 2018 HEG acquired a stake in the family-owned, Roche-based, recycling firm Constantin SA, which shall enable HEG to expand its capacities and increase the treated waste 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 centres, waste collection and disposal facilities as well as sites for the conversion of waste-to-energy. HEG's direct clients are municipalities, companies and international organisations. Today, HEG has a market share of around 10% in the Swiss waste management market for private providers. SRS is fully integrated into HEG and operates in coexistence to three additional business units: Transvoirie SA, Sogetri and Lemman Bio Energie. Transvoirie is the group's main segment in terms of turnover, with waste collection services for municipalities and companies, as well as from third party recycling points. It includes ancillary services such as maintenance, cleaning, consulting or the sale and installation of containers and disposal points. The second main business segment (Sogetri), deals with the operation of sorting centres and the conversion of waste-to-materials, covering the sorting, treatment and recycling of collected household waste, construction waste, industrial and organic waste. The third business segment deals with the conversion of waste-to-energy and is operated by the subsidiary Lemman BioEnergie, which is mainly engaged in the conversion and sale of biodiesel from used cooking oils.

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

HEG is a privately owned Swiss company which was founded in 2000 by the Chavaz family, still holding participating shares of 26.6%, with strong connections within 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 another 26.6% of the share capital through an MBO. The remaining shares are held by two institutional investors backed by pension funds, namely UBS Clean Energy Infrastructure (26.6%) and Reichmuth Infrastruktur Schweiz (20.2%). By today, HEG is a combination of 13 successive acquisitions since 2000, with SRS remaining the largest. 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.

## Appendix 1: Execution

### Analysts

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

### Contact:

Tel.: +49 (0) 40/60 77 81 200

[info@eulerhermes-rating.com](mailto:info@eulerhermes-rating.com)

### Rating committee

- Holger Ludewig, director
- Jörg Walbaum, senior analyst

### Rating, Solicitation, Principal Sources of Information

- This credit rating has been issued in accordance with the CRA Regulation.
  - Solicited Rating
  - Unsolicited Rating
    - No participation of the rated entity or related third party
    - With participation of the rated entity or related third party
      - Access to internal documents
      - Access to management
- Prior to its publication the rating was disclosed to the rated entity. During this period, the rated entity had the opportunity to review the rating and to verify the underlying assumptions. Following this review, the rating was not amended.
- Principal sources of information:
  - Financial statements 2017, 2018, 2019
  - Interim Reporting plus COVID-19 adjusted budget 2020
  - Liquidity status Q3/2020
  - Interviews with management
  - Organisation legal structure
  - Shareholder loan agreements

### Rating methodologies and definitions

- Methodology: Issuer Rating as of May 2016  
([https://www.ehrq.de/seiten/Methodology\\_Issuer%20Rating\\_20171114.pdf](https://www.ehrq.de/seiten/Methodology_Issuer%20Rating_20171114.pdf))
- Basic principles for Assigning Credit Ratings and Other Services as of July 2020  
([https://www.ehrq.de/seiten/Principles\\_200701.pdf](https://www.ehrq.de/seiten/Principles_200701.pdf))
- Guidance Regarding the Consideration of ESG Factors in Euler Hermes Rating Credit Ratings as of March 2020  
([https://www.ehrq.de/seiten/ESG\\_2020.pdf](https://www.ehrq.de/seiten/ESG_2020.pdf))

### Euler Hermes Rating GmbH

Stadthausbrücke 5  
20355 Hamburg  
GERMANY  
Phone: +49 (0)40 60 77 812 36  
Fax: +49 (0)171 441 1933

[info@eulerhermes-rating.com](mailto:info@eulerhermes-rating.com)  
[www.eulerhermes-rating.com](http://www.eulerhermes-rating.com)

## Appendix 2: Rating categories\*

| Category                      | Explanation   |
|-------------------------------|---|
| <b>AAA</b>                    | In the opinion of EHR, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.  |
| <b>AA</b>                     | In the opinion of EHR, AA rated entities demonstrate a very high credit quality with a very low default risk.   |
| <b>A</b>                      | In the opinion of EHR, A rated entities demonstrate a high credit quality with a low default risk.  |
| <b>BBB</b>                    | In the opinion of EHR, BBB rated entities demonstrate a medium credit quality with a moderate default risk.   |
| <b>BB</b>                     | In the opinion of EHR, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.  |
| <b>B</b>                      | In the opinion of EHR, B rated entities demonstrate a low credit quality with an increased default risk.  |
| <b>CCC</b>                    | In the opinion of EHR, CCC rated entities demonstrate a very low credit quality with a high default risk.   |
| <b>CC</b>                     | In the opinion of EHR, CC rated entities demonstrate a very low credit quality, an event of default is very likely.   |
| <b>C</b>                      | In the opinion of EHR, C rated entities demonstrate a very low credit quality, an event of default is imminent.   |
| <b>D / SD</b>                 | 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. |
|                               |   |
| <b>PLUS (+)<br/>MINUS (-)</b> | 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.                        |

\* For more explanations and definitions please refer to: Basic principles for Assigning Credit Ratings and Other Services ([https://www.ehrq.de/seiten/Principles\\_200701.pdf](https://www.ehrq.de/seiten/Principles_200701.pdf))

## Appendix 3: Definition of financial ratios

### Earnings power

#### EBITDA margin

| EBITDA margin      |                |
|--------------------|----------------|
| <b>Numerator</b>   |                |
|                    | EBITDA         |
| <b>Denominator</b> |                |
|                    | Total revenues |

#### Returns

| ROCE               |  |
|--------------------|--|
| <b>Numerator</b>   |  |
|                    | Adjusted operating result (= EBIT)                 |
| <b>Denominator</b> |  |
|                    | Net debt + economic equity<br>(= capital employed) |

| Return on total assets |   |
|------------------------|---|
| <b>Numerator</b>       |   |
|                        | Adjusted operating and financial result<br>+ interest expense |
| <b>Denominator</b>     |   |
|                        | Adjusted total assets   |

#### Cash flow return on investment

| Cash flow return on investment (Cash flow ROI) |                       |
|--|-----------------------|
| <b>Numerator</b>                               |                       |
|  | EBITDA                |
| <b>Denominator</b>                             |                       |
|  | Adjusted total assets |

## Capital structure

### Indebtedness

| Equity-to-total assets ratio            |
|---|
| <b>Numerator</b>                        |
| Adjusted equity<br>(= economic capital) |
| <b>Denominator</b>                      |
| Adjusted total assets                   |

| Leverage   |
|--|
| <b>Numerator</b>                                   |
| Net debt   |
| <b>Denominator</b>                                 |
| Net debt + economic equity<br>(= capital employed) |

### Net debt

| Net debt                                     |
|--|
| Bonds  |
| + Liabilities to banks                       |
| + Bill liabilities                           |
| + Other interest-bearing liabilities         |
| + Operating lease liabilities                |
| + Adjustments for ABS/factoring transactions |
| - Cash and cash equivalents                  |

### Deleveraging potential

| Total liabilities / EBITDA                               |
|--|
| <b>Numerator</b>   |
| Total assets - economic capital<br>(= total liabilities) |
| <b>Denominator</b>                                       |
| EBITDA   |

| Net debt / EBITDA  |
|--------------------|
| <b>Numerator</b>   |
| Net debt           |
| <b>Denominator</b> |
| EBITDA             |

### Interest coverage

| EBIT interest coverage             |
|------------------------------------|
| <b>Numerator</b>                   |
| Adjusted operating result (= EBIT) |
| <b>Denominator</b>                 |
| Interest expenses                  |

| EBITDA interest coverage |
|--------------------------|
| <b>Numerator</b>         |
| EBITDA                   |
| <b>Denominator</b>       |
| Interest expenses        |

## Disclaimer

Helvetia Environnement Groupe SA (client and rated entity) engaged Euler Hermes Rating GmbH to assign periodic credit ratings on 12 April 2017.

The Rating Committee of Euler Hermes Rating GmbH reviewed the rating process, issued the rating notation and approved the rating report in its current form on 13 November 2020. This rating report was given to the client on 13 November 2020, thereby concluding the rating process.

The rating is Euler Hermes Rating GmbH's opinion of the creditworthiness of a rating subject. It is not a statement of fact. Euler Hermes Rating GmbH is not engaged in buying or selling securities. Its rating report is neither a prospectus nor a substitute for information assembled and presented by companies or issuers for investors regarding the purchase of a security or for assessing the creditworthiness of a rated entity. The rating is not a recommendation to participate in certain facilities. All recipients of the information must conduct their own independent analyses, credit assessments and other verifications and evaluations that are customary and necessary in order to reach a final decision about participating in any facility.

The rated entity is solely and exclusively liable for any errors and omissions in the documents and information openly and willingly provided to us in response to our requests for information. The rated entity has reviewed the rating report and certified that all the information considered in the rating report is accurate and complete in all significant respects, no significant aspects have been concealed and any forward-looking statements are based on plausible, verifiable and current data and were prepared by the rated entity exercising reasonable and commercial care. The rated entity's representatives have issued a written certification of completeness to Euler Hermes Rating GmbH. However, the rated entity cannot be held liable if actual results differ from the forward-looking statements presented in this document, particularly the projections. Forward-looking statements and projections may be adversely affected by unforeseeable events and changes in the economic environment. Euler Hermes Rating GmbH assumes no liability for the accuracy of the information it considers when issuing a rating and extends no guarantee whatsoever that the information is explicitly or implicitly correct, timely, complete, suitable for the market or fit for any particular purpose.

The rating is published on Euler Hermes Rating GmbH's website ([www.eulerhermes-rating.com](http://www.eulerhermes-rating.com)) or published for subscribers (e.g. on a portal) and will be followed by a subsequent one-year monitoring process. During this period, the rated entity and the sector and business environment in which it operates will remain under observation. The representatives of the rated entity remain subject to a full disclosure obligation during this period. Any change in Euler Hermes Rating GmbH's rating assessment will result in a change in the published rating notation, meaning that this notation represents the current rating assessment at all times. The rating will only remain published after the end of the monitoring period if a follow-up rating is performed.

Please note that summaries of contracts, laws and other documents contained in the rating report cannot replace careful study of the complete texts. Euler Hermes Rating GmbH cannot guarantee that the information used to prepare this report has not changed since it was collected and is still accurate at the time of publication. Euler Hermes Rating GmbH is under no obligation to complete the information that it considered when issuing the rating.

The dissemination and use of this rating report may be prohibited by law in certain jurisdictions. Euler Hermes Rating GmbH therefore recommends that any persons who come into the possession of this information inquire about and comply with any prohibitions that may be in place. Euler Hermes Rating GmbH assumes no liability of any kind with respect to the dissemination and use of the rating in any jurisdiction whatsoever.

Euler Hermes Rating GmbH

Hamburg, 13 November 2020