MOODY'S
INVESTORS SERVICE

Rating Action: Moody's downgrades Maccaferri's CFR to Caa1; stable outlook

05 Aug 2019

Milan, August 05, 2019 -- Moody's Investors Service ("Moody's") has today downgraded the corporate family rating (CFR) of Officine Maccaferri S.p.A. ("Maccaferri" or "the company") to Caa1 from B3, and its probability of default rating (PDR) to B3-PD from B2-PD. Concurrently, Moody's has also downgraded to Caa1 from B3 the rating on the EUR190 million senior unsecured notes due in June 2021. The outlook was changed to stable from rating under review.

The rating action concludes the review process initiated by Moody's on 29 May 2019.

"The downgrade to Caa1 reflects the lack of meaningful progress, since we placed the ratings on review, on the search for a strategic partner and on the refinancing of the 2021 bond, at a time when the company's liquidity remains weak and its leverage remains high, expected at around 6.5x by the end of 2019," says Giuliana Cirrincione, Moody's lead analyst for Maccaferri.

A full list of affected ratings is provided at the end of this press release.

RATINGS RATIONALE

Moody's understands that the search for a strategic partner to join Maccaferri's share capital and the potential refinancing of the 2021 bond are unlikely to be completed by the end of 2019, as both transactions have been put on hold until the restructuring plan of Maccaferri's ultimate parent (SECI S.p.A.) -- due by early November this year - gets a Court approval.

In this context of ongoing uncertainty, the company's efforts to improve its weak liquidity position have also been slow, increasing refinancing risks as the maturity of its EUR190 million bond in 2021 approaches.

In addition, despite the adequate operating performance during 2018 (i.e. excluding a number of non-trading related one-off items), credit metrics will remain under pressure, with financial leverage (measured as Moody's-adjusted gross debt to EBITDA ratio) and interest coverage (measured as Moody's-adjusted EBIT to interest expense ratio) estimated by the rating agency at around 6.5x and 1.0x, respectively, over the next 12-18 months.

In Moody's view, this reduces the company's financial flexibility and, ultimately, may cause the company difficulties in effecting a timely and cost effective refinancing in due course.

Based on Moody's estimates, Maccaferri's liquidity will remain weak over the next 12-18 months. The company relies on a EUR35 million committed factoring line, maturing in November 2019 but expected -- according to the company - to be renewed shortly until May 2021. The average drawings under this line are however high, implying only limited additional availability under external committed credit facilities in case of liquidity stress. Maccaferri also continues to rely on additional short-term bank lines and to make extensive use of supply chain finance programs.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook reflects Moody's expectation that, despite the ongoing uncertainties over SECI's restructuring plan, Maccaferri will maintain an adequate operating performance and overall stable credit metrics over the next 12-18 months, with a Moody's-adjusted gross debt to EBITDA ratio at around 6.5x and a Moody's-adjusted EBIT to interest expense ratio at 1.0x.

The stable outlook also assumes that the company will successfully renew its EUR35 million factoring line ahead of its maturity in November 2019.

WHAT COULD CHANGE THE RATING UP/DOWN

The ratings could be upgraded if (1) the company is able to deleverage steadily from current levels in a way that could support a timely and successful refinancing of its 2021 bond; and (2) an adequate liquidity position

is restored, as a result of improved free cash flow generation and increased availability under external committed credit lines.

Conversely, ratings could be downgraded if (1) liquidity deteriorates further if the company is unable to renew the maturing liquidity lines; and (2) operating performance weakens, leading to a deterioration in the company's prospects to successfully refinance its bond maturity.

LIST OF AFFECTED RATINGS

..Issuer: Officine Maccaferri S.p.A.

Downgrades:

.... LT Corporate Family Rating, Downgraded to Caa1 from B3

.... Probability of Default Rating, Downgraded to B3-PD from B2-PD

....Senior Unsecured Regular Bond/Debenture, Downgraded to Caa1 from B3

Outlook Action:

....Outlook, Changed To Stable From Rating Under Review

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Building Materials published in May 2019. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

COMPANY PROFILE

Officine Maccaferri S.p.A. (Maccaferri), incorporated in Bologna, Italy, is a leading designer and manufacturer of environmental engineering products and solutions, with a global footprint. It reports under four divisions: the Double Twist Mesh products, the Geosynthetics polymer materials, the Rockfall and snow protections nets and the Other Products division, which includes a range of tunneling and wall reinforcing products, as well as engineering solution services and wire products. In 2018, the company reported €535 million revenue and €47 million EBITDA adjusted for extraordinary items.

REGULATORY DISCLOSURES

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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