

### **Rating Action: Moody's assigns first-time Baa3 rating to Aliaxis Holdings SA; stable outlook**

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25 Oct 2021

Frankfurt am Main, October 25, 2021 -- Moody's Investors Service ("Moody's") has today assigned a Baa3 long term issuer rating to the Belgian producer of advanced piping and fitting systems Aliaxis Holdings SA ("Aliaxis"). Concurrently, the rating agency has assigned a Baa3 backed senior unsecured rating to the proposed benchmark 7-year bonds to be issued by Aliaxis Finance SA. The outlook on the ratings is stable.

#### RATINGS RATIONALE

The rating is mainly supported by (1) the company's strong regional diversification with presence in over 40 countries on five continents; (2) leading market positions across the majority of markets where Aliaxis operates; (3) diversification in terms of end-market exposure with a fairly large share of revenue generated with relatively stable infrastructure and renovation spending; (4) a history of conservative financial management and resilient credit metrics during downturns and (5) currently low leverage level (Moody's adjusted net leverage of around 0.9x in H1 2021) that offers room for targeted growth organically as well as through acquisitions.

However, the rating is constrained by (1) execution risks related to the envisaged organic and inorganic growth strategy, which also includes risks associated with potential entrance into new Emerging Markets, (2) intentional re-leveraging to capture growth opportunities however within the stated leverage ceiling (up to 2.0-2.5x net leverage); (3) limited vertical diversification with relatively commoditized products and significant competition considering the fragmented nature of the pipe industry; (4) cyclical nature of construction markets; and (5) cost inflation and significant volatility of raw materials such as resin.

#### RATIONALE FOR STABLE OUTLOOK

The stable outlook on the ratings reflects our expectation that the company will manage its expansion plans within its stated leverage guidance (net leverage peak up to the 2.0 -- 2.5x range), which broadly corresponds to the Moody's adjusted gross leverage ratio of below 3.0x - 3.5x. Furthermore, should operating performance weaken due to reversal in the demand trend, we expect the company to adjust its capital spending and dividend distribution in order to maintain liquidity and leverage commitment.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

##### WHAT COULD MOVE THE RATINGS - UP

Positive rating pressure could arise if:

- Moody's-adjusted gross debt/ EBITDA below 2.0x on a sustained basis;
- Moody's-adjusted retained cash flow/ net debt above 35%;
- Successful track record of executing its growth strategy including seamless integration of new assets without compromising its historically fairly stable profit levels;

##### WHAT COULD MOVE THE RATINGS - DOWN

Conversely, negative rating pressure could arise if:

- Moody's-adjusted gross debt/ EBITDA above 3.0x on a sustained basis;
- Moody's-adjusted retained cash flow/ net debt below 25%;
- Overly aggressive M&A activity and deviation from the stated leverage/ dividend policy;

#### LIQUIDITY

Aliaxis liquidity profile is good given the refinancing of its existing €831 million revolving credit facilities (RCF) with a new €850 million 5-years multicurrency RCF. The company will use its available cash sources consisting of €689 million of cash and cash equivalents at the end of June 2021 as well as the new RCF to repay its existing €140 million of debt coming due in 2021 (already repaid in July 2021) as well as the €167 million of debt coming due in 2022 and the €420 million drawn amount under the RCF (as of June 2021) that also has a regular maturity in 2022. The envisaged backed senior unsecured bonds issuance will further improve the company's liquidity profile. After the refinancing, Aliaxis will have limited debt maturities in coming years: €67 million in 2022, €94 million in 2023, €29 million in 2025 and €18 million in 2027.

## ESG CONSIDERATIONS

Moody's takes into account the impact of ESG factors when assessing companies' credit quality. As a manufacturing company, Aliaxis is more exposed to environmental and social risks with a moderate exposure to pollution risks and health and safety issues. However, these risks present a limited impact on the current rating and are further mitigated by the good corporate governance structure and conservative financial management.

## PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Building Materials published in September 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1287900](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1287900). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of this methodology.

## PROFILE

Headquartered in Brussels, Belgium, Aliaxis is a globally leading producer of advanced piping and fitting systems used in Buildings, Infrastructure, Industry and Agriculture. The company operates in 40+ countries across Americas, EMEA and APAC. In the last twelve months ended June 2021, Aliaxis reported sales of around €3.3 billion. The group is private with almost 40% of the issued shares owned by the founding family through the Bravak Foundation. In addition certain family members also own shares in their personal names.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC\\_1288235](http://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1288235).

At least one ESG consideration was material to the credit rating action(s) announced and described above.

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