

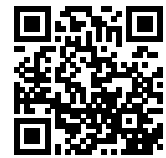


Aldesa. China Railway To Take 75% Stake. CoC Put At 101

Aldesa. China Railway To Take 75% Stake. CoC Put At 101. Buy
James Moylan & Rupesh Tailor, Everest Research, 27 December 2019

- Aldesa announced late yesterday that, on 25/12/19, it “entered into an investment agreement with CRCC International Investment Group (CRCCII), a wholly-owned subsidiary of China Railway Construction Corporation Limited (CRCC)”, one of the largest construction companies in the world. “The transaction includes a **capital increase from CRCCII into Grupo Aldesa, S.A. of c. EUR 250m**. After the transaction, **CRCCII will hold 75% of the share capital of Grupo Aldesa**”. The current shareholders will retain the remaining 25% of the share capital. “The transaction is subject to customary conditions, including antitrust clearances, and it is **expected to close during the second quarter of 2020**.”
- We note the presence of a **change of control (CoC) put at a price of 101 in the Aldesa 7.25% 2021 Senior Secured Notes (SSNs) which we believe will be triggered following consummation of CRCC’s 75% stake in Q2 2020**. As per our last memo on Aldesa (dated 23/9/19, see [here](#)), **we have a buy recommendation on and hold a long “position” of c. 6% of model “portfolio AUM” in the Aldesa SSNs at an average price of 51.63**
- Whilst we anticipate Aldesa SSNs will head up closer to par in the near future, **we flag our remaining buy recommendation in the construction sector, OHL (see latest memo from earlier December [here](#)), which we expect will benefit from a number of potential positive catalysts (impacts and timing quantified in the memo):**
 1. Working capital reversal Q4 2019
 2. Amodio family taking just under a 30% stake in OHL via a capital increase plus 13% stake purchase from Grupo Villar Mir
 3. Sale (partial or full) of Canalejas / Old War Office real estate development assets
 4. Mayakoba cash in
 5. Successful sale of Cemonasa claim
 6. Repayment of shareholder loans
 7. Potential buybacks of 2022 and 2023 bonds

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