S&P Global Ratings

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Indigo Group S.A.S.

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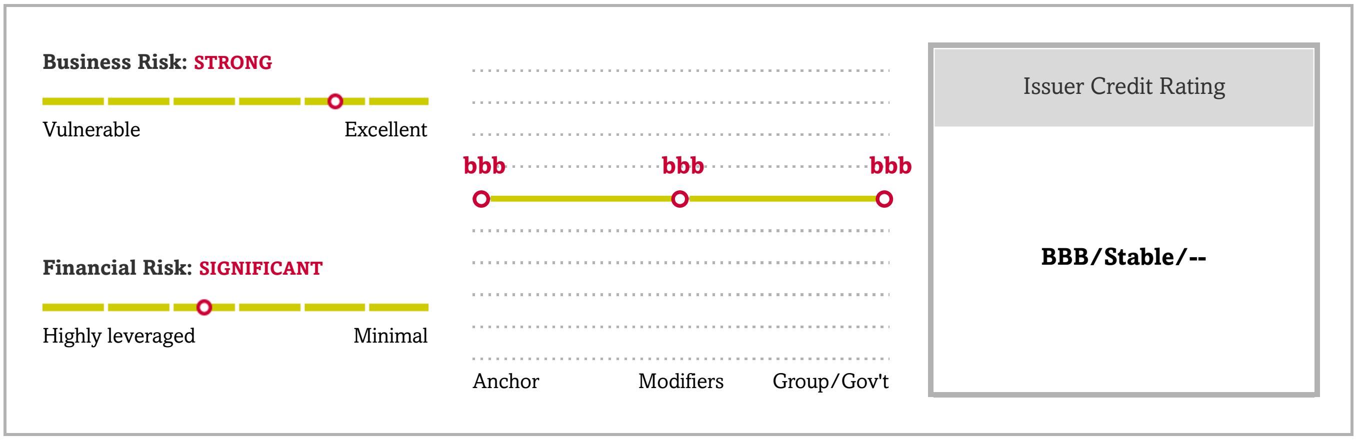
Indigo Group S.A.S.



Credit Highlights

Overview

Key Strengths	Key Risks
One of the largest car parking operator group globally, managing about 2.3 million parking spaces in 10 countries.	Given the group's need to continue to expand the business, its financial leverage is likely to remain stable, but relatively high.
Market-leading position in France, where the company generates about 75% of its global proportionate EBITDA, and it has been consolidating in north and south America.	Changes in automotive industry and mobility patterns, combined with recent green policies, could threaten the car park industry in the long term.
Stable cash flow generation from its long-term concession contracts that have historically shown good retention rates of about 80%-90%.	
The group's strong business model gives it solid margins for the sector--for example, its adjusted EBITDA margin is 44%-46%.	

The group's 2018 performance was in line with our expectations and its financial ratios were comfortably within the thresholds for the current rating. Total adjusted revenues increased by 2% in 2018, mainly because the group gained new concessions. It reported EBITDA of €295.5 million and successfully maintained its EBITDA margin above 44%. The resulting financial ratios--debt to EBITDA at 5.4x and FFO to debt at 13.1%--support the rating.

The company has divested from noncore European markets to strengthen its position in the leading markets it serves.Its operations in the U.K., Slovakia, Germany, and Czech Republic contributed less than 6% to total global proportionate EBITDA in 2017. Following the disposal of these operations in 2018, we expect the company to reinforce its position in its core European countries--France, Spain, Belgium, and Switzerland--by focusing on ownership acquisition, which give it more flexibility in terms of tariff, operating model, and services offered, without renewal risk.

It plans to pursue a strategy of prudent expansion in emerging markets.Its growth strategy will require prudent risk management and will mainly involve forming joint ventures with local partners and signing contracts that carry no market risk. After successfully adopting this strategy in Latin America and North America, we expect Indigo Group to adopt the same approach in its prospective markets in Asia.

Green policies and changes in automotive industry and mobility patterns could pose long-term challenges to the industry. For example, local municipalities, particularly in certain European countries, may adopt green policies that limit access to city centers and restrict the type of vehicles admitted. They may also reduce greenfield opportunities. Car-hailing opportunities, combined with the development of electric and autonomous cars, could also threaten the parking industry in the long term. In line with peers, the company is working to develop mobility and digital solutions to capture opportunities and defend its market position, while expanding its geographical presence outside Europe.

Outlook: Stable

The stable outlook indicates that Indigo Group is expected to maintain adjusted FFO to debt at about 12%-13% over the next two years through revenue growth and cost optimization. These ratios provide a good degree of headroom to the rating.

Downside scenario

We could lower the rating if, in our view, Indigo Group was not able to maintain its FFO-to-debt ratio comfortably above 10%. This could result from higher-than-expected shareholder distribution or an acquisition strategy not supported by adequate EBITDA growth due to stagnant revenues or falling operating margins.

We could also consider a downgrade if the company significantly changed its business mix so that exposure to non-infrastructure business--such as management contracts and short-term leases--increased to about 30% of EBITDA. This would likely cause adjusted EBITDA margins to fall below 30% and so weaken our view of the company's business risk profile.

Upside scenario

We could raise the rating by one notch if the company was able to maintain its FFO-to-debt ratio sustainably above 13% while committing to a predictable financial policy.

Our Base-Case Scenario

Our base-case assumptions incorporate Indigo Group's recent sale of its operations in noncore European markets and its most recent acquisitions. Traffic trends and tariff growth on the existing perimeter are based on our macroeconomic growth assumptions for the countries where the company operates, which in our view largely drive operating performance.

Assumptions

- Annual revenue growth of 1.5% in 2019 and 3.5% in 2020 in France, in line with our estimated real GDP growth of 1.4%-1.5% and consumer price index (CPI) growth of 1.3% in the period, plus new contracts and organic growth. Indigo's acquisition of Spie Batignolles' parking business in 2019 offset the negative impact of the increase in real estate taxes in Paris and the activities of the "yellow vest" protesters.
- In the eurozone, the deconsolidation of noncore business still weighs on revenue growth in 2019, partially offset by the full-year results from Besix Park. Existing operations in the eurozone are expected to grow in line with our forecast of real GDP growth (1.1% in 2019 and 1.4% in 2020) and CPI (1.3% in 2019 and 1.4% in 2020).
- Consolidation of Canadian subsidiary West Park in June 2019 and relatively stable EBITDA generation in North America and Brazil suggesting that exposure to demand risk has fallen, and therefore that margins will be lower, but more stable.
- Capital expenditure (capex) of about €250 million-€300 million in 2019 and €80 million-€100 million in the following years, primarily driven by the acquisitions announced this year and potential projects in the pipeline;
- Dividends of €80 million-€100 million per year;
- Additional concession fee liabilities of €110 million in 2019 and €60 million-€70 million going forward. Under International Financial Reporting Interpretations Committee (IFRIC) 12, the fixed concession fee liabilities are included in the reported debt. They are difficult to predict as they are subject to the awarding of new concessions.
- Successful issuance of a €100 million tap of the 1.625% fixed-rate 2028 bond, as well as a 20-year €150 million 2.25% annual coupon private placement. The transactions were completed in June and July 2019, respectively.

Key Metrics

	2018a	2019e	2020f
EBITDA margin (%)	45.3	45-46	44-45
FFO to debt (%)	13.1	11-12	12-13
Debt to EBITDA (x)	5.4	6.0-6.5	5.5-6.0
FFO interest coverage (x)	5.7	5.5-6.0	5.5-6.0

a--Actual. e--Estimate. f--Forecast.

Base-case projections

Revenue likely to decline in 2019 because of Indigo's strategic exit from noncore markets. Following the disposal of its subsidiaries in Germany, the U.K., and Slovakia, we expect the group's revenue to decline by about 4% in 2019, but to recover by approximately 4%-5% the following year, reflecting completed acquisitions and the high amount of capex included in our forecasts.

Focus on leading markets will sustain the group's EBITDA margins at around 44%-46%. We expect S&P Global Ratings-adjusted EBITDA margin to remains at 44%-46%, because of the group's high exposure to concession business, slightly offset by exposure to soft currencies and lower margins in Brazil and the international segment.

Metrics will weaken slightly as the new acquisitions and contracts mature. FFO to debt is forecast to slightly decline to about 11.5%-11.9% given the high capex expected in 2019-2020. This will be financed from the proceeds of the disposals. We expect financial leverage to remain 6x on average.

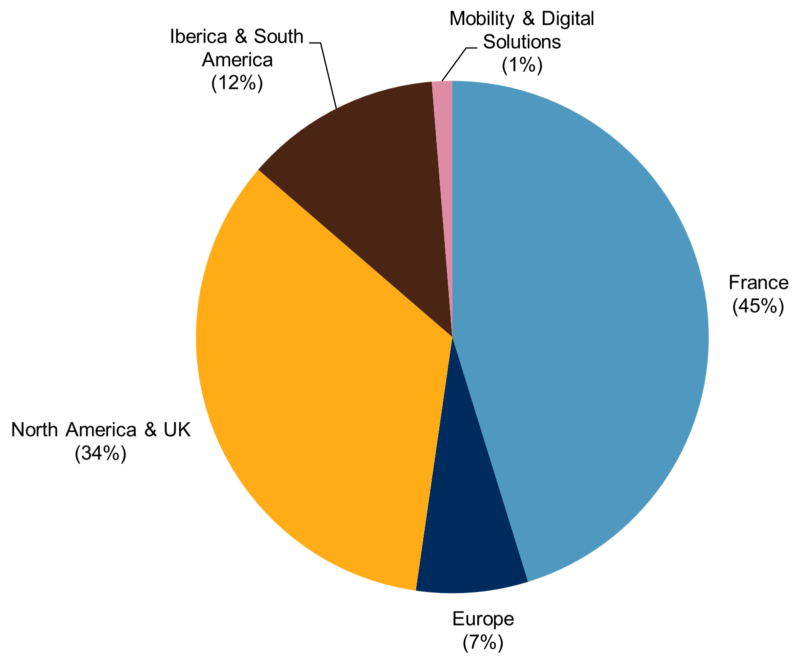
Company Description

Indigo Group S.A.S. is one of the largest car park operators globally. Its headquarters and core operations are in France. Through Indigo Infra S.A. and its subsidiaries, the group operates off-street and on-street car parks in 10 countries, including Spain, Belgium, and Switzerland in Europe, as well as Canada, the U.S., and Brazil. It has over 5,050 car parks, more than 2.3 million managed parking spaces (on-street and off-street), and offers on-street enforcement services in France, Belgium, Luxembourg, Spain, and the U.S.

Indigo Group has expanded internationally through acquisitions and partnerships with local operators. In Western Europe (particularly in France, Spain, and Belgium), it maintains a concession-type of business that generates high levels of profitability. In emerging markets, it has entered into short-term and no demand-risk type of contracts that require low investments, but generate low margins. The group also includes a mobility and digital solutions subsidiary aimed at developing a mobility services and payment software platform, although its contribution to total revenues is negligible at this stage.

Chart 1

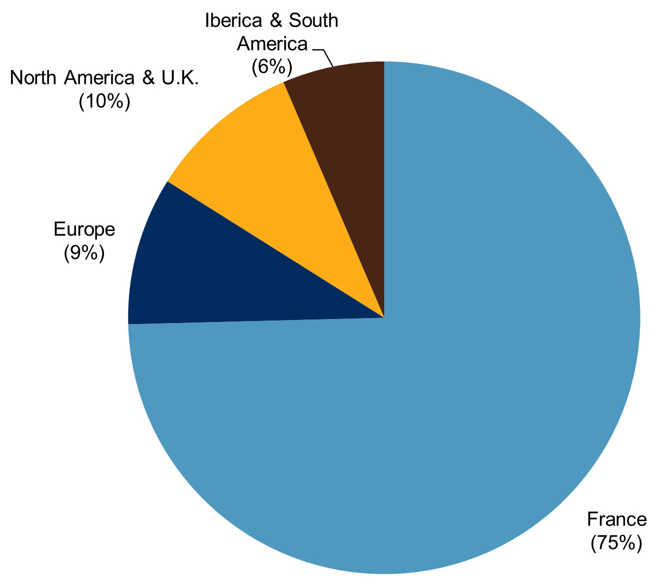
Global Proportionate Revenue By Geography
Figures post IFRS 15



Notes: MDS excluded. Source: Company presentation

Chart 2

Global Proportionate EBITDA By Geography
Figures post IFRS 15



Notes: MDS excluded. Source: Company presentation

The group's ultimate parent is Infra Foch TopCo, of which 98.4% was initially owned by Ardian and Crédit Agricole (Predica). These companies acquired the company from French contracting group Vinci S.A. in June 2016.

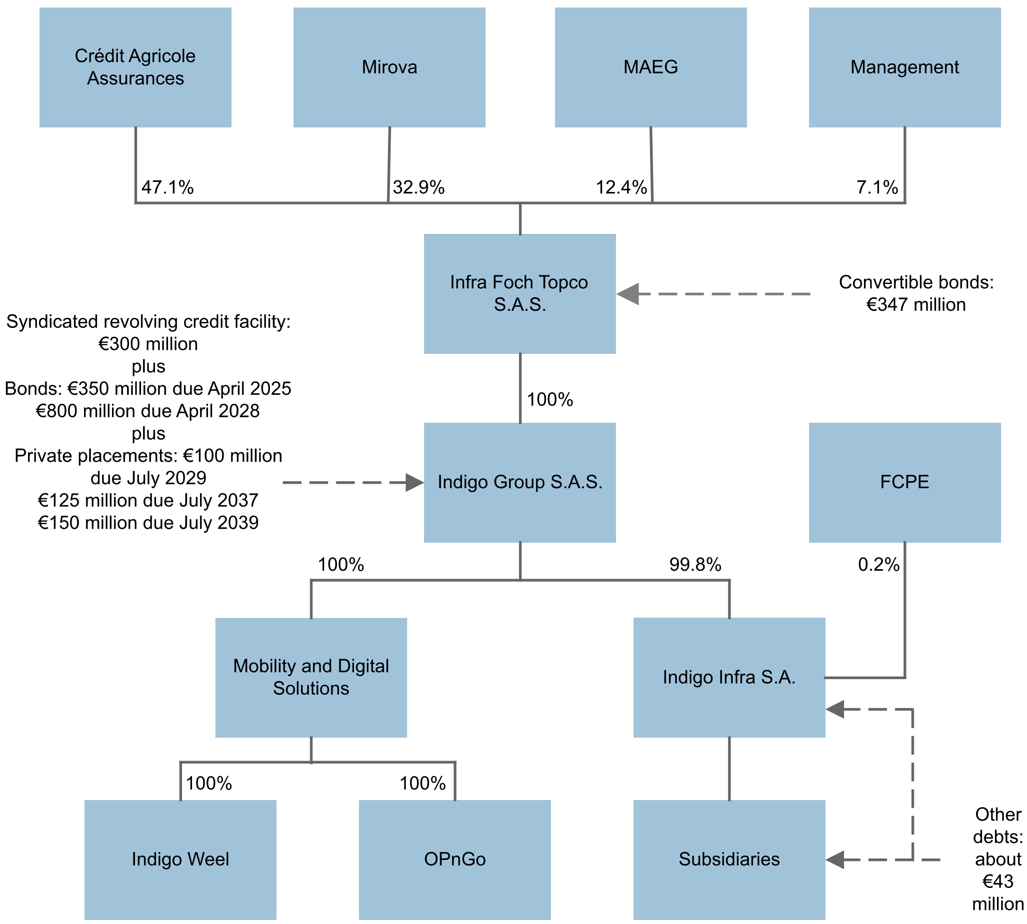
In March 2019, Ardian had entered into exclusive negotiations to sell its equity stake to Mirova (Natixis asset manager) and MEAG (Munich Re and Ergo asset manager). In September 2019, the transaction was completed, following the approval by the relevant anti-trust authorities. Under the new ownership structure, Predica holds 47.1% of the shares, Mirova 32.9%, MEAG 14.2%, treasury shares 0.5%, and the remainder by the management of the group. At this stage, we do not expect any material change in the company's business model or financial policy, as we understand that Mirova and MEAG are infrastructure-type of investors that have experience in and knowledge of the car park sector.

We don't anticipate a sale would trigger the potential consolidation of the LAZ Parking subsidiary in the U.S.--Ardian's exit would not qualify as a change-of-control event.

The group's employees and management hold the remaining stake.

Chart 3

Indigo Group S.A.S. Structure Chart



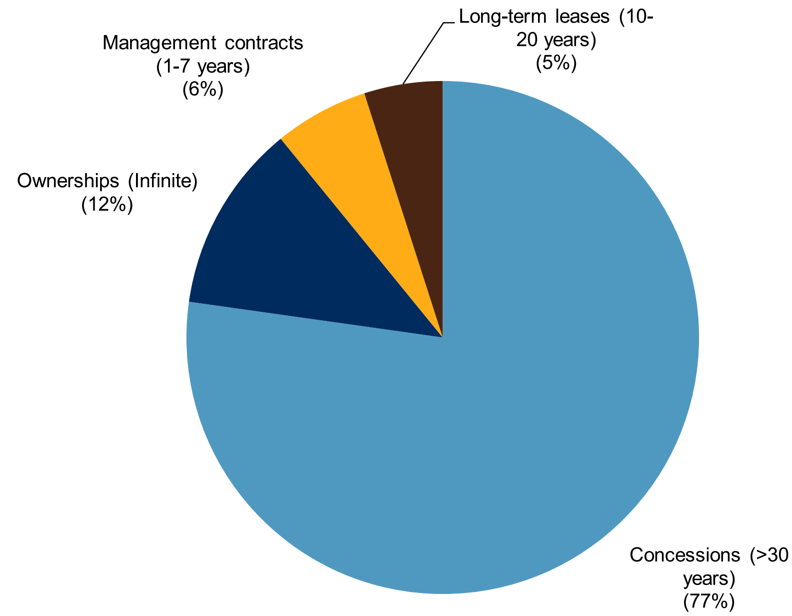
Note: 0.5% of Infra Foch Topco is held in Treasury shares.:

Business Risk: Strong

Our assessment incorporates the group's solid business model, which focuses on long-term off-street concessions, ownership, and long-term leases in Western Europe. These provide relatively predictable cash flows with EBITDA margins of about 40%-70%, in line with core infrastructure companies. In emerging markets, the group has favored short-term leasing contracts that require lower investment, but yield lower margins, and management contracts that carry no exposure to demand risk.

Chart 4

Global Proportionate EBITDA Split By Business Unit
Figures post IFRS 15



Notes: MDS excluded. Source: Company presentation

In France, its main market, the group holds a leading position and generates about 75% of its global proportionate EBITDA. Despite the social unrest, new municipal tax in Paris, and some slowdown in Paris city center traffic, we understand that the acquisition of Spie Autocite in June 2019 reinforced the group's position and cash generation in France.

The company continues to expand its leading position in Western Europe, with the acquisition of Belgium-based Besix Park in July 2018. In Latin America, it undertook an additional 10% stake in its Brazilian subsidiary AGE in October 2018. Despite its increasing exposure to countries that have soft currencies, we consider that the group's plans to expand overseas enhance its diversified profile in terms of municipalities, locations, and number of contracts. This is key to success in the car parking business, which is very local.

Moreover, the combination of limited available space in city centers and the group's good historical retention rate of expiring contracts forms an effective barrier to entry. We estimate that it retains 80%-90% of contracts on expiry.

Peer comparison

Compared with MEIF 5 Arena Holding (previously EMPARK), the market leader in Spain and Portugal, Indigo Group benefits from higher reported margins due to its lower exposure to noninfrastructure business. MEIF5's on-street segment generates around 15% of its total EBITDA, and around 30% of its parking spaces are operated under management contracts, which means shorter contracts and higher volatility in cash flow, despite its 90% retention rate.

APCOA Parking Holdings GmbH is the market leader in Germany, Italy, the U.K., and Scandinavia. Its business model focuses on leasing and management contracts. As a facility service provider, it benefits from limited need for capex and lower EBITDA margins than infrastructure peers.

Cofiroute S.A. operates various concession contracts and is the fifth-largest rated toll road network operator in Europe. The toll road operator has a significantly stronger EBITDA margin than Indigo Group. This is consistent with the stronger business risk profile of a large and mature toll road network under the supportive French regulatory framework.

Table 1

Indigo Group S.A.S. -- Peer Comparison			
Industry Sector: Infrastructure			
(Mil. €)	**Indigo Group S.A.S.**	**MEIF 5 Arena Holdings SLU**	**Cofiroute**
	--Fiscal year ended Dec. 31, 2018--	**--Fiscal year ended Dec. 31, 2017--**	**--Fiscal year ended Dec. 31, 2018--**
Revenue	746.7	207.7	1,444.7
EBITDA	338.5	71.9	1,081.6
Funds from operations (FFO)	238.9	46.0	735.3
Interest expense	72.6	25.3	76.3
Cash interest paid	51.0	25.9	88.9
Cash flow from operations	251.7	76.7	744.2
Capital expenditure	193.2	27.7	157.7
Free operating cash flow (FOCF)	58.5	49.0	586.5
Discretionary cash flow (DCF)	(22.4)	48.1	125.0
Cash and short-term investments	329.4	46.1	237.6
Debt	1,823.7	540.3	3,694.1
Equity	648.1	196.3	806.1
Adjusted ratios			
EBITDA margin (%)	45.3	34.6	74.9
Return on capital (%)	3.4	(4.0)	18.0
EBITDA interest coverage (x)	4.7	2.8	14.2
FFO cash interest coverage (x)	5.7	2.8	9.3
Debt/EBITDA (x)	5.4	7.5	3.4
FFO/debt (%)	13.1	8.5	19.9
Cash flow from operations/debt (%)	13.8	14.2	20.1
FOCF/debt (%)	3.2	9.1	15.9
DCF/debt (%)	(1.2)	8.9	3.4

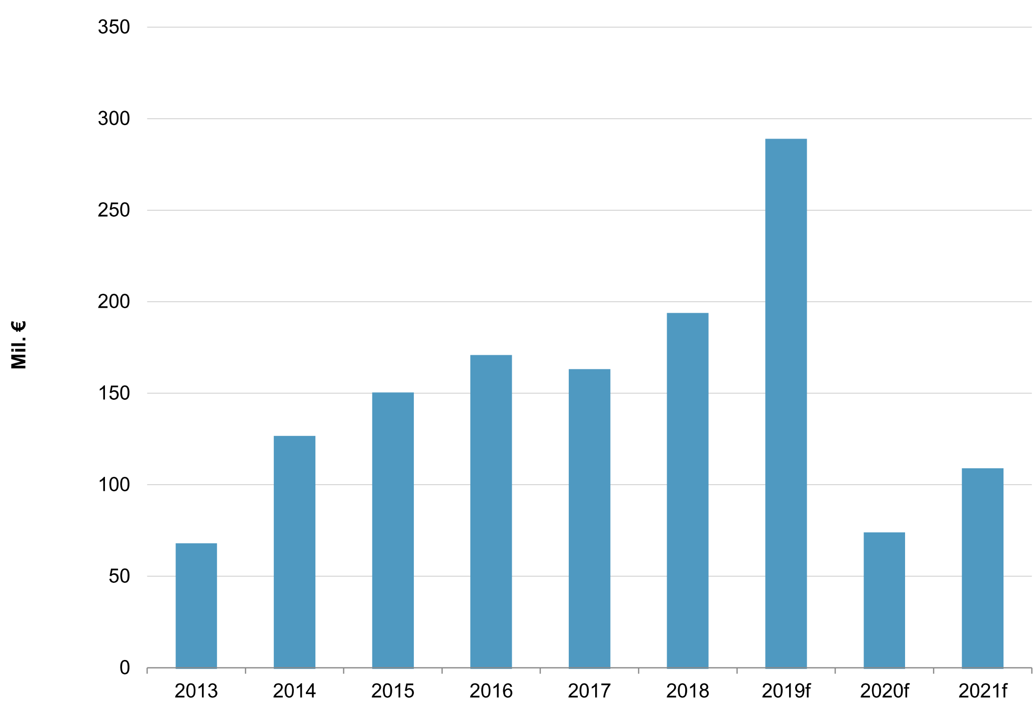
Financial Risk: Significant

The group's leverage metrics are expected to remain stable and on average at approximately 6.0x EBITDA to debt and

FFO to debt of 12%-13% over the next two years. Because it has been awarded new concessions, it will have additional concession liabilities. We expect cash flow from operations and the proceeds from the asset disposals to be sufficient to support the planned capex without materially increasing leverage.

Chart 5

Capital Expenditure Over Time



f--S&P Global Ratings Forecast. Source: S&P Global Ratings.

We continue to analyze the group on a consolidated basis, based on the accounts of Infra Foch TopCo, as the ultimate parent. That said, the parent does not bear any additional financial debt, apart from a €347 million convertible bond that we currently treat as equity.

Financial summary

Table 2

Indigo Group S.A.S. -- Financial Summary

Industry Sector: Infrastructure

	--Fiscal year ended Dec. 31--				
(Mil. €)	**2018**	**2017**	**2016**	**2015**	**2014**
Revenue	746.7	732.2	695.3	647.3	638.6
EBITDA	338.5	354.7	328.5	299.8	293.6
Funds from operations (FFO)	238.9	265.1	213.9	225.0	242.8
Interest expense	72.6	54.0	42.3	40.7	57.3

Table 2

Indigo Group S.A.S. -- Financial Summary (cont.)

Industry Sector: Infrastructure

	--Fiscal year ended Dec. 31--				
(Mil. €)	**2018**	**2017**	**2016**	**2015**	**2014**
Cash interest paid	51.0	50.7	49.1	55.7	38.0
Cash flow from operations	251.7	261.8	227.9	214.6	187.6
Capital expenditure	193.2	162.6	170.2	149.8	126.0
Free operating cash flow (FOCF)	58.5	99.2	57.7	64.8	61.6
Discretionary cash flow (DCF)	(22.4)	17.9	(3.6)	(98.5)	61.4
Cash and short-term investments	329.4	170.1	62.1	33.5	70.7
Gross available cash	329.4	172.4	62.1	33.5	70.7
Debt	1,823.7	1,913.9	1,809.6	1,729.4	1,568.4
Equity	648.1	634.7	782.7	765.1	890.9
Adjusted ratios					
EBITDA margin (%)	45.3	48.4	47.2	46.3	46.0
Return on capital (%)	3.4	5.5	4.9	4.5	5.9
EBITDA interest coverage (x)	4.7	6.6	7.8	7.4	5.1
FFO cash interest coverage (x)	5.7	6.2	5.4	5.0	7.4
Debt/EBITDA (x)	5.4	5.4	5.5	5.8	5.3
FFO/debt (%)	13.1	13.9	11.8	13.0	15.5
Cash flow from operations/debt (%)	13.8	13.7	12.6	12.4	12.0
FOCF/debt (%)	3.2	5.2	3.2	3.7	3.9
DCF/debt (%)	(1.2)	0.9	(0.2)	(5.7)	3.9

N.M.--Not meaningful.

Liquidity: Strong

We view Indigo Group's liquidity as strong, given that we expect liquidity sources to exceed uses by about 3.0x in the 12 months ending March 2020 and that sources would exceed uses even if forecasted EBITDA declined by 30%. We anticipate that the company would be able to sustain high-impact low-probability events without need for refinancing and it has solid relationships with banks.

Principal Liquidity Sources	Principal Liquidity Uses
• €297 million of unrestricted cash and equivalents; • €300 million of undrawn committed revolving credit facilities, which mature in the end of 2023; • €250 million new notes issued in June and July 2019; and • FFO of about €230 million-€240 million.	• Debt maturities of about €34 million attributable to payments of fixed concession fees reported on the balance sheet; • Capex of about €235 million; and • Dividends of about €80 million.

Debt maturities

Other than the group's concession fees, reported as debt, there is no significant debt maturing in the near future.

There are no financial covenants on existing debt.

Issue Ratings - Subordination Risk Analysis

The 'BBB' issue rating on Indigo Group's notes reflects that all the notes are senior unsecured and the amount of debt at subsidiaries' level is limited.

Capital structure

Indigo Group's capital structure comprises about €1.6 billion senior unsecured debt (excluding future concession fees), as of Dec. 31, 2018, of which €43 million is attributable to the group's subsidiaries. Indigo Group also reports about €330 million in additional financial debt related to net present value of future concession fees. The €347 million convertible bond at Infra Foch TopCo bears an 8% interest rate, which is paid through dividends received from the Indigo Group.

Analytical conclusions

Indigo Group's existing debt is rated 'BBB', at the level of the issuer credit rating, because the amount of debt located at the level of Indigo Group's subsidiaries is limited to about €43 million. In our subordination analysis, we deduct financial debt related to the future concession fees, as this is not third-party debt. Convertible bonds at the holding level are held solely by Infra Foch TopCo shareholders and consequently are not exposed to a third party.

Reconciliation

Our main analytical adjustments to reported financials are as follows:

- We increase the reported debt by operating lease adjustments, in line with annual payment information received by the company.
- We include in the debt pension liabilities.
- We consider about €15 million of cash as restricted as it represents payments due to municipalities.
- We include in our adjusted debt the value of the put option held by the noncontrolling interest in the AGE Brazilian subsidiary, as well as liabilities related to employee savings mutual fund and long-term remuneration plans (€26.4 million).
- We deduct from both revenues and operating expenditures the amount related to construction services.
- We are no longer treating the shareholder loan as equity, given its early reimbursement following the refinancing in April 2018.

Table 3

Reconciliation Of Indigo Group S.A.S. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Dec. 31, 2018--								
Indigo Group S.A.S. reported amounts									
	Debt	**Shareholders' equity**	**Revenue**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
Reported	1,959.0	636.7	774.7	400.6	192.4	61.1	338.5	231.6	193.8
S&P Global Ratings' adjustments									
Cash taxes paid	--	--	--	--	--	--	(48.6)	--	--
Cash taxes paid: Other	--	--	--	--	--	--	--	--	--
Cash interest paid	--	--	--	--	--	--	(39.8)	--	--
Reported lease liabilities	4.8	--	--	--	--	--	--	--	--
Operating leases	133.0	--	--	31.5	10.6	10.6	(10.6)	20.9	--
Postretirement benefit obligations/deferred compensation	14.9	--	--	0.6	0.6	0.3	--	--	--
Accessible cash and liquid investments	(314.4)	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	0.6	(0.6)	(0.6)	(0.6)
Share-based compensation expense	--	--	--	2.8	--	--	--	--	--
Dividends received from equity investments	--	--	--	11.9	--	--	--	--	--
Income (expense) of unconsolidated companies	--	--	--	15.8	--	--	--	--	--
Nonoperating income (expense)	--	--	--	--	1.1	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	--	(0.2)	--
Noncontrolling interest/minority interest	--	11.4	--	--	--	--	--	--	--
Debt: Other	26.4	--	--	--	--	--	--	--	--
Revenue: Other	--	--	(28.0)	(28.0)	(28.0)	--	--	--	--
COGS: Other nonoperating nonrecurring items	--	--	--	28.0	28.0	--	--	--	--
EBITDA: Gain/(loss) on disposals of PP&E	--	--	--	(25.1)	(25.1)	--	--	--	--
EBITDA: Other	--	--	--	(99.6)	(99.6)	--	--	--	--
Depreciation and amortization: Impairment charges/(reversals)	--	--	--	--	5.7	--	--	--	--

Table 3

Reconciliation Of Indigo Group S.A.S. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)									
Total adjustments	(135.3)	11.4	(28.0)	(62.2)	(106.7)	11.5	(99.6)	20.1	(0.6)
S&P Global Ratings' adjusted amounts									
	Debt	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditure**
Adjusted	1,823.7	648.1	746.7	338.5	85.7	72.6	238.9	251.7	193.2

Ratings Score Snapshot

Issuer Credit Rating

BBB/Stable/--

Business risk: Strong

- **Country risk:** Low
- **Industry risk:** Low
- **Competitive position:** Strong

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: bbb

Modifiers

- **Diversification/Portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb

Related Criteria

- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria - Corporates - General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013

- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Jul. 1, 2019
- Criteria - Corporates - Industrials: Key Credit Factors For The Transportation Infrastructure Industry, Nov. 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	**bbb**	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of September 20, 2019)*

Indigo Group S.A.S.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured	BBB
Issuer Credit Ratings History	
10-Apr-2018	BBB/Stable/--
17-May-2017	BBB/Positive/--
03-Oct-2014	BBB/Stable/--
Related Entities	
Indigo Infra S.A.S.	
Issuer Credit Rating	BBB/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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