Research Update:

# Indigo Group S.A. Affirmed At 'BBB' Following Capital-Raising; Outlook Stable

**November 29, 2024**

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## Rating Action Overview

- French car park operator Indigo Group S.A. has raised €284 million in equity to repay short-term overdrafts put in place for the acquisition of Spain-based Parkia for €600 million-€650 million--the acquisition was announced last year and completed this year.
- Completion of this transaction has improved the group's liquidity and indicates that it remains disciplined about protecting its strong creditworthiness.
- We therefore affirmed our 'BBB' long-term issuer and issue credit ratings on Indigo.
- The stable outlook signifies that we expect the company to maintain funds from operations (FFO) to debt of 10%-11% in 2025-2026 via sustained organic growth, the full-year contributions from its new businesses, and its prudent financial policy.

## Rating Action Rationale

**The equity injection has strengthened Indigo's liquidity and financial flexibility, although leverage is still higher than it was before the Parkia acquisition.** Indigo's shareholders completed the €284 million equity injection in October 2024 and the group used it to reinstate its cash position after repaying short-term overdrafts taken out to fund the acquisition, which closed on April 29, 2024. Indigo will fully consolidate Parkia and its other recent transactions in 2025 and we anticipate that cash flow generation for the first full year after the integration will enable Indigo to boost EBITDA generation. Nevertheless, even with EBITDA estimated at above €450 million, we expect ratings headroom to remain limited while the full integration occurs, as predicted in "Indigo Group 'BBB' Ratings Affirmed On Expected Deleveraging After The Parkia Acquisition; Outlook Stable," published on Oct. 5, 2023. We forecast that FFO to debt is likely to remain about 1% lower than it was before the acquisitions, at 10%-11% in 2025 and 2026.

**Indigo's stated financial policy reflects its commitment to reach reported debt to EBITDA of 6x in the medium term.** Based on this leverage target and our forecast of rising EBITDA, we expect that Indigo's debt will gradually trend upward to about €3 billion in the next two years. That said, we incorporate in our forecasts that the company will continue to calibrate its shareholder returns while also undertaking significant investments. We anticipate that Indigo will be able to apply a degree of flexibility to its outlays without denting its ability to maintain an incoming cash stream from new business developments, given that a significant part of its investment program is uncommitted for the next three years.

**The successful delivery of renewals and new developments upholds the strength of the business.** Indigo made several other acquisitions during 2024, besides the Parkia acquisition; these included Apcoa Belgium and Transdev Park Voirie in France. While more-focused in the on-street segment, these are still expected to enhance Indigo's position in their respective countries and further enhance the group's exposure to Europe, which contributed 84% of global proportionate EBITDA in the first half of 2024 (Parkia's contribution was limited to two months). Apcoa will offer synergies with Indigo's existing on-street portfolio in Belgium; Transdev Park Voirie will extend the group's position in parking control and enforcement in France, to counterbalance the constraints it faces because on-street parking and car use is being reduced (for example, in the capital city, Paris). Moreover, in the competitive car parking sector, where ongoing investment is needed to replace maturing contracts, Indigo maintains a strong track record of renewals.

**Indigo's business model still focuses on off-street, long-term, infrastructure contracts.** We expect about 85% of the group's EBITDA to consist of concession, ownership, and long-term leases requiring high capital investment, but offering high margins. The parks operated under these contracts are well located and heavily concentrated in city centers. This helps the group to maintain a solid performance and sustains organic growth, with the rise in traffic being partially correlated with the applicable GDP rate and the rise in tariffs with the relevant consumer price index. Indigo has maintained leading positions in France and Belgium. It also ranks second in Spain, where the acquisition of Parkia solidified its position as the second-largest car park operator and doubled its market share. The group's infrastructure contracts had a comfortable weighted-average life of 27 years (as of end-2023) prior to the Parkia acquisition. We expect this to be extended, given the average 38-year life of Parkia's contracts (as of end-2022).

## Outlook

The stable outlook indicates that we expect Indigo's adjusted FFO to debt to revert to 10%-11% over 2025-2026, after temporarily weakening in 2024 following the acquisition of Parkia. The group's EBITDA is forecast to increase through organic growth and successfully integration of its recent acquisitions; this is, in turn, expected to improve rating headroom. Despite the sizable investments planned for the period to 2026, we consider that the group's disciplined financial policy will support the current rating.

### Downside scenario

We could lower the rating if we forecast a persistent drop in Indigo's FFO to debt to close to 10%. This could occur if:

- The group deviates from the debt to EBITDA objective of moving toward 6x in its financial policy (to the extent consistent with previous FFO to debt threshold).
- Profitability deteriorates because the group fails to achieve the forecast growth, despite its large development capex plan, or because higher fuel costs and the weaker macroeconomic

environment have a stronger-than-anticipated effect on volumes.

- The group significantly changes its business mix, increasing exposure to contracts that are not infrastructure-like, such as management contracts and short-term leases, to about 30% of EBITDA, or materially increasing exposure to a less stable market, thus making cash flow less predictable and increasing country or currency risk.
- Car traffic shifts away from city centers, due to environmental policies, although we do not anticipate these having a major impact on group activities in the medium term, except for those in Paris. The group has a diversified portfolio of activities across midsize cities.

### Upside scenario

We see an upgrade as unlikely, given Indigo's significant leverage and current financial policy targets. For us to consider a positive rating action on Indigo, we would need the company to commit to maintaining FFO to debt sustainably above 13%.

## Company Description

Indigo is a holding company based in France. It manages more than 1.4 million parking spaces in 10 countries worldwide, including in Canada and Brazil, although France remains its core market. The group generated about 60% of its global proportionate EBITDA in France during the first half of 2024 (Parkia is consolidated from April 29, 2024). Over the same period, Indigo generated about 20% of EBITDA in Europe, excluding France--that is, mainly in Spain and Belgium. This proportion is expected to grow due to the consolidation of 2024 acquisitions.

Indigo focuses on off-street, infrastructure-type parking, which generates strong profitability. Indigo typically enters emerging markets via short-term, low-demand-risk contracts that require little investment, although these contracts also generate low margins. More recently, the group has been investing in electric vehicle charging points, of which it has about 8,500 (4,800 in France, and about 1,500 in Belgium), as well as soft mobility services.

The company is fully owned by Infra Foch TopCo S.A.S., which is a holding company controlled by Crédit Agricole Assurances through Predica (49.2%), Vauban Infrastructure Partners (34.3%), and MEAG (14.9%), with 1.4% held in treasury shares and the remainder by management. We view Indigo's shareholders as infrastructure-type investors that have long-term investment horizons, and we anticipate that the company will continue to calibrate its shareholder returns to support leverage commensurate with the rating.

## Liquidity

We have revised our assessment of Indigo's liquidity to strong from adequate, given the recent equity injection. Our assessment is based on our expectation that liquidity sources for the 12 months starting July 1, 2024, will cover uses by more than 1.5x and remain comfortably above 1x in the second year. It also considers Indigo's solid relationships with banks and generally prudent risk management.

Principal liquidity sources for the 12 months from July 1, 2024, include:

- Unrestricted cash and cash equivalents of €400 million on June 30, 2024;
- A €300 million undrawn committed revolving credit facility, maturing in July 2029;

- The €284 equity injection; and
- Cash FFO of €250 million.

We expect principal liquidity uses for the same period will include:

- Debt maturities of about €500 million, including the 2025 bonds due in June 2025.
- Capex of €200 million, including uncommitted discretionary capex.
- Flexible dividend distributions.

## 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 (Low volatility) |
| 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 | Neutral (no impact) |
| Comparable rating analysis | Neutral (no impact) |
| Stand-alone credit profile: | bbb |

## Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, April 4, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014

- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013

## Related Research

- Indigo Group 'BBB' Ratings Affirmed On Expected Deleveraging After The Parkia Acquisition; Outlook Stable, Oct. 5, 2023
- Indigo Group's Parkia Acquisition Is Consistent With Its Expansion Strategy While Increasing Leverage, Aug. 2, 2023

## Ratings List

| **Ratings Affirmed** | |
|---|---|
| **Indigo Infra S.A.S.** | |
| Issuer Credit Rating | BBB/Stable/-- |
| **Indigo Group S.A.** | |
| Issuer Credit Rating | BBB/Stable/-- |
| Senior Unsecured | BBB |