

Bulletin:

Indigo Group's Parkia Acquisition Is Consistent With Its Expansion Strategy While Increasing Leverage

August 2, 2023

This report does not constitute a rating action.

PARIS (S&P Global Ratings) Aug. 2, 2023--S&P Global Ratings today said that car park operator Indigo Group S.A. (Indigo)'s announced agreement to acquire 100% of Parkia Spanish Holding SLU and its subsidiaries for a total of €600 million-€650 million, is in line with its growth strategy. We understand the transaction will be equity funded and Parkia's existing debt of €340 million will remain in place, increasing Indigo's leverage.

However, based on current information, the exact effect of the acquisition on Indigo's credit metrics and our rating remains uncertain. This is because we will need to analyse the characteristics of the equity instrument that will be used by the shareholders to fund the transaction, although we understood from Indigo it is expected to be funded by common equity from the shareholders. We will review our rating analysis once more information becomes available, which we expect over the coming days or weeks.

We see the acquisition of the Spanish car park group as supportive of Indigo's business and aligned with its plans to expand its presence and relevance in Spain. This acquisition will help lengthen the average maturity of Indigo's concession contracts and add more owned assets to its portfolio. Parkia benefits from a high-quality contractual profile, with indexed-linked tariffs and a remaining duration of about 38 years. While the acquisition would increase Indigo's scale and geographical diversification, we expect Parkia's contribution to overall revenue will be limited to a high-single-digit percentage. The closing of this transaction is subject to Spanish antitrust authority approval, which we expect in fourth-quarter 2023.

The ratings on Indigo reflect our view that it will maintain solid credit metrics, including funds from operations to debt of 11%-12% and debt to EBITDA of about 6x under our base-case scenario, supported by resilient operating performance and prudent financial policy, over the coming few years. We could lower the rating if, in our view, Indigo is unable to maintain funds from operations to debt comfortably above 10% and debt to EBITDA comfortably below 6.5x in the next 12-18 months.

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Related Research

- Industry Top Trends Update Europe: Transportation Infrastructure, July 18, 2023
- Research Update: Indigo Group S.A. Upgraded To 'BBB' On Resilient Forecast Earnings And Prudent Financial Policy; Outlook Stable, May 5, 2023

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