

**DRAFT**

CONFIDENTIAL – PROJECT AMSTERDAM

138.a

DISCUSSION MATERIALS

**Project Amsterdam**

## Our Understanding of the Situation

The analysis and considerations in this document are based on the following understanding of the current situation around HEMA

### Current Situation

- HEMA and its shareholder have contacted the Dutch State and requested it support the Company's short term liquidity as well as capital structure restructuring to ensure its long term viability
- COVID-19 is having a significant impact on the HEMA's performance and its liquidity position – despite its use of current available measures. Moreover, the Company has a near term (mid-June) maturity on which it will default unless new money is brought in
- HEMA has requested the Dutch State to support the injection of
  - <sup>10</sup> 10.1.c; 10.2.g in the form of potential instruments such as a loan and / or non-voting convertible capital
  - In addition, HEMA's shareholder Ramphastos, is expected to commit to invest 10.1.c; 10.2.g in the business

### HEMA's Operations

- HEMA's underlying operational health is strong with virtually all of its stores generating a positive operational result
  - COVID-19 has had a significant impact on HEMA's performance, 10.1.c; 10.2.g and the majority of international locations are closed, offset by higher e-commerce revenue
- The Company has a wide (international) store network, with 774 stores in 11 countries and 90+% of the Dutch population with a store within 5km and c. 8,000 staff in own stores and c. 7,000 staff in franchise stores
- Before COVID-19, HEMA had 10.1.c; 10.2.g

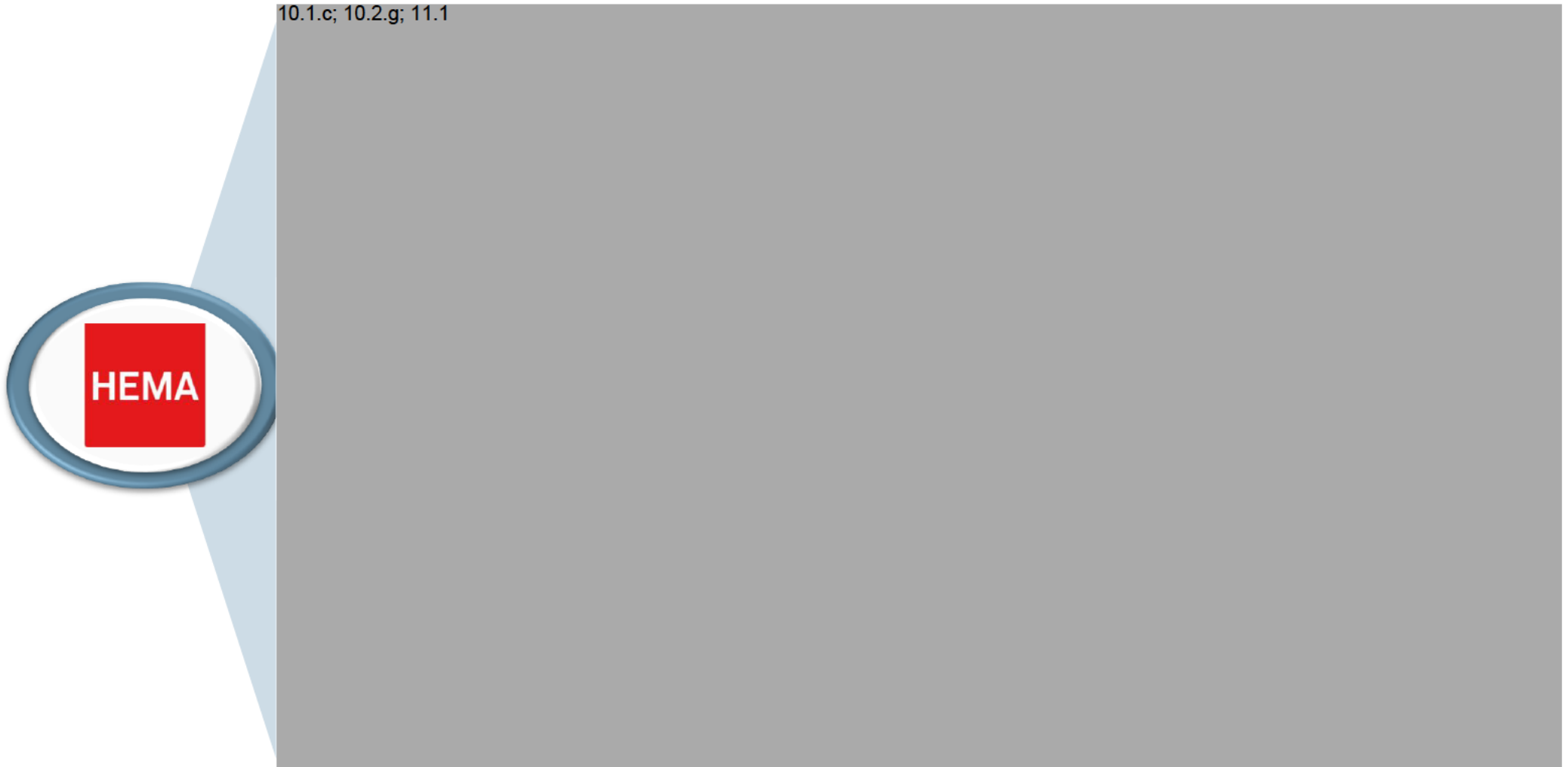
# HEMA is Facing a Liquidity Shortfall Partly Caused by Covid-19 and Exacerbated by Its Highly Levered Capital Structure

10.1.c; 10.2.g; 11.1



## Possible Considerations for the Dutch State to Support HEMA

The below outlines possible considerations for supporting HEMA (consistent with argumentation presented to parliament)



Source: HEMA presentations and documents submitted to Dutch State  
1. c. 8,000 staff in own stores and c. 7,000 staff in franchise stores  
2. Based on FY2019


## Decision Tree for the Dutch State

11.1



## Assessment of HEMA against ‘Company in Financial Difficulties’ Tests

10.1.c; 10.2.g; 11.1



Source: Algemene Groepsvrijstellingsverordening (Verordening (EU) nr. 651/2014), HEMA Financial Reports

Notes:

1. Test per 3-Nov-2019, which is last reporting date before 31-12-2019
2. Using unadjusted, pre-IFRS16 EBITDA and interest expense for the test is a conservative approach (as this results in lower interest cover compared to using adjusted and/or post IFRS-16 figures)

## Summary of Potential Scenario's and Options

The scenarios shown below may take the form of various 'sub-routes' (e.g. guarantees, debt funding or equity(-like) capital)

11.1



Notes:

1. GO-C scheme is not possible as part of short-term solution (given current financial difficulties) but could be part of broader restructuring if HEMA's balance sheet is first recapitalized
2. 10.1.c; 10.2.g
3. Potential upside for Dutch State could be through warrants (market practice for liquidity providers to ask for upside through e.g. warrants when providing emergency liquidity)

## Summary of Potential Scenario's and Options (*cont'd*)


11.1






## **1** Considerations Around Solution by Existing Stakeholders; No Involvement Dutch State

10.1.c; 10.2.g; 11.1




## **I** Liquidity Considerations

10.1.c; 10.2.g; 11.1




## **1 Considerations Around Solution by Existing Stakeholders; No Involvement Dutch State**

10.1.c; 10.2.g; 11.1




## **I** Considerations on Market Turmoil in Light of a PIK Default

10.1.c; 10.2.g; 11.1




## **I** Bondholder Considerations on Company / Shareholder Proposal

10.1.c; 10.2.g; 11.1




## **I Bondholder Considerations on Company / Shareholder Proposal**

10.1.c; 10.2.g; 11.1




## I Summary of Credit Default Swap (“CDS”) Considerations

10.1.c; 10.2.g; 11.1



## **Company Targeted Timetable for a Consensual Transaction**

10.1.c; 10.2.g





## **Considerations and Potential Next Steps**

11.1



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## **Appendix - Supporting Materials**

## HEMA's Current Capital Structure

Debt facility	Amount outstanding (14 Apr '20)	Leverage to Adj. EBITDA	Value @ Mkt Price (6 May '20)	Leverage to Adj. EBITDA	Maturity	Pricing	Current Mkt Price (6 May '20)	YTM (6 May '20)	Original amount / Facility size	Rating S&P / Moody's
<b>Senior Secured Debt</b>	10.1.c; 10.2.g									
Super senior RCF										
Bank Guarantees										
Lease liabilities										
Senior secured FRN										
<b>Unsecured Debt</b>										
Senior unsecured notes										
<b>Other Debt<sup>1</sup></b>										
PIK Notes										
<b>Cash &amp; Cash Equivalents</b>										
<b>Net Debt (Incl PIK Notes)</b>										
<b>Net Debt (Excl PIK Notes)</b>										
<b>Adj FY19A EBITDA (pre IFRS 16)</b>										

Source: FactSet (as of 6 May '20), HEMA presentations to Dutch State, Moody's reports, S&P reports  
 1. Outside of restricted group

## Selected Initiatives with (Potential) Significant Cash Impact

Initiative	Description	(Potential) Cash Impact	Status
10.1.c; 10.2.g	Ongoing or pending initiatives		
[Redacted content]			

## Overview of HEMA’s Suppliers


HEMA’s top 5 suppliers represent 10.1.c of costs of goods sold and over 10.1 of total spend is to suppliers based in the Netherlands (including local subsidiaries of international companies)

#	Supplier	Geography	FY19 Spend	% of Total	Cumulative Total	Length of Relationship
10.1.c; 10.2.g						
		NL	10.1.c; 10.2.g			
		CN				
		BD				
		TR				
		PK				
		IT				
		IN				
		BE				
		Total				
		Other				
		Total				

Source: Company Information


## I Overview of Debt Structure

10.1.c; 10.2.g



## I Additional Credit Default Swap (“CDS”) Considerations

10.1.c; 10.2.g; 11.1



11.1





11.1



11.1




11.1



Subject to detailed legal review

## Existing Debt Agreements Overview

10.1.c; 10.2.g




Source: Company Filings, Public information, Xtract, Reorg

1. This was reduced from net leverage post-CoC of 5.2x in Jan-19

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Subject to detailed legal review

## Facility Agreement – Super Senior RCF

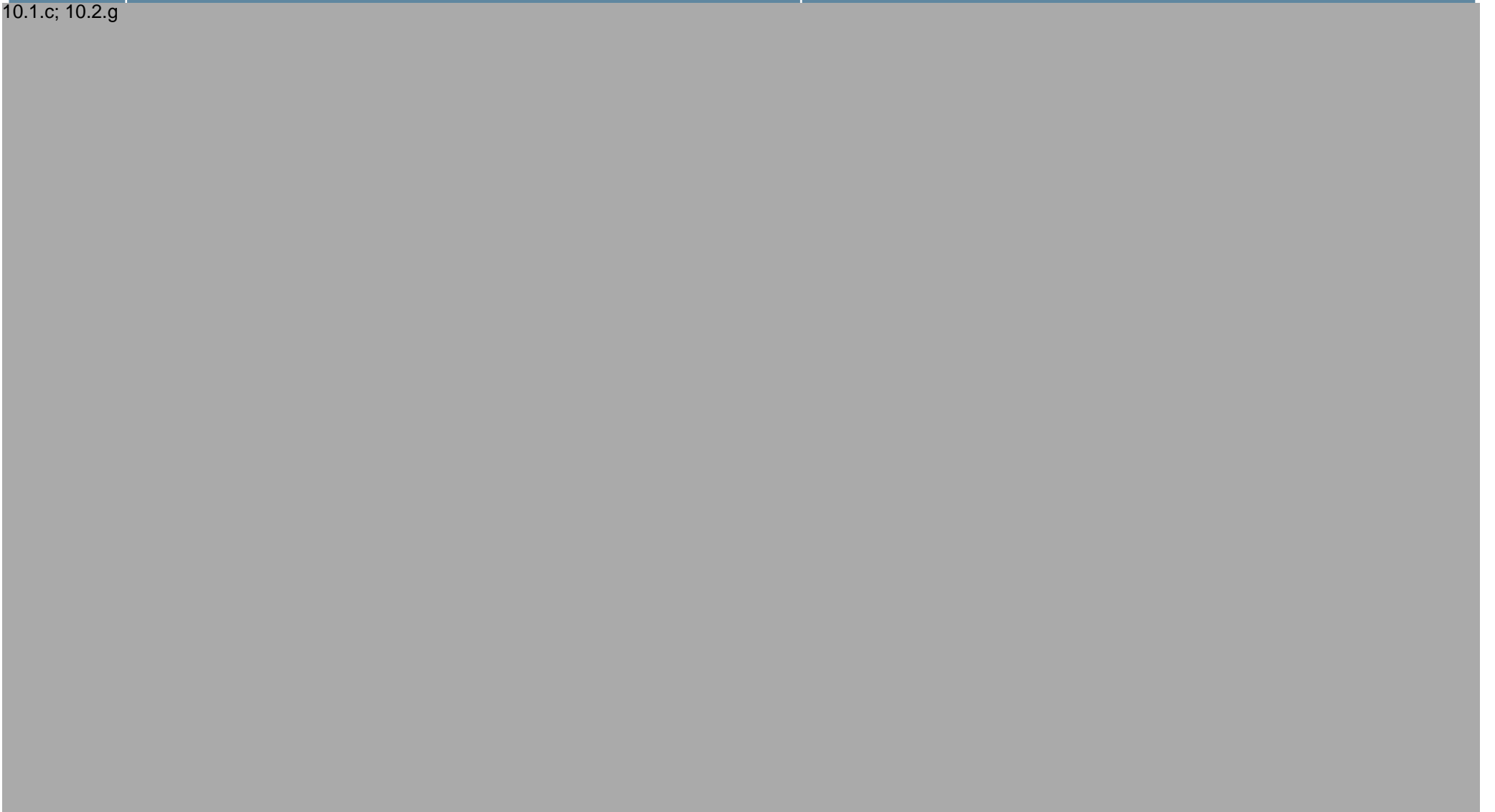
10.1.c; 10.2.g



Subject to detailed legal review

## Facility Agreement – Senior Secured Notes & Senior Notes


10.1.c; 10.2.g



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Subject to detailed legal review

## Facility Agreement – PIK Notes

10.1.c; 10.2.g



## Original Wording of ‘Company in Financial Difficulties’ Tests

### Framework

#### 18. „onderneming in moeilijkheden”: een onderneming ten aanzien waarvan zich ten minste één van de volgende omstandigheden voordoet:

a) in het geval van een vennootschap met beperkte aansprakelijkheid (niet zijnde een kmo die minder dan drie jaar bestaat of, wanneer het erom gaat in aanmerking te komen voor risicofinancieringssteun, een kmo binnen zeven jaar na haar eerste commerciële verkoop die in aanmerking komt voor risicofinancieringsinvesteringen na een boekenonderzoek door de geselecteerde financiële intermediair): wanneer meer dan de helft van haar geplaatste aandelenkapitaal door de opgebouwde verliezen is verdwenen. Dit is het geval wanneer het in mindering brengen van de opgebouwde verliezen op de reserves (en alle andere elementen die doorgaans worden beschouwd als een onderdeel van het eigen vermogen van de onderneming), een negatieve uitkomst oplevert die groter is dan de helft van het geplaatste aandelenkapitaal. Voor de toepassing van deze bepaling worden met „vennootschap met beperkte aansprakelijkheid” met name de in bijlage I bij Richtlijn 2013/34/EU ( 4 ) bedoelde rechtsvormen van ondernemingen bedoeld en omvat het „aandelenkapitaal” ook het eventuele agio;

b) in het geval van een onderneming waarin ten minste een aantal van de vennoten onbeperkt aansprakelijk is voor de schulden van de onderneming (niet zijnde een kmo die minder dan drie jaar bestaat of, wanneer het erom gaat in aanmerking te komen voor risicofinancieringssteun, een kmo binnen zeven jaar na haar eerste commerciële verkoop die in aanmerking komt voor risicofinancieringsinvesteringen na een boekenonderzoek door de geselecteerde financiële intermediair): wanneer meer dan de helft van het kapitaal van de onderneming zoals dat in de boeken van de onderneming is vermeld, door de gecumuleerde verliezen is verdwenen. Voor de toepassing van deze bepaling worden met „een onderneming waarin ten minste een aantal van de vennoten onbeperkt aansprakelijk is voor de schulden van de onderneming” met name de in bijlage II bij Richtlijn 2013/34/EU bedoelde rechtsvormen van ondernemingen bedoeld;

c) wanneer tegen de onderneming een collectieve insolventieprocedure loopt of de onderneming volgens het nationale recht aan de criteria voldoet om, op verzoek van haar schuldeisers, aan een collectieve insolventieprocedure te worden onderworpen;

d) wanneer de onderneming reddingssteun heeft ontvangen en de lening nog niet heeft terugbetaald of de garantie nog niet heeft beëindigd, dan wel herstructureringssteun heeft ontvangen en nog steeds in een herstructureringsplan zit;

e) in het geval van een onderneming die geen kmo is: wanneer de afgelopen twee jaar:

1. de verhouding tussen het vreemd vermogen en het eigen vermogen van de onderneming, volgens de boekhouding van de onderneming, meer dan 7,5 bedroeg, en

2. de op basis van de EBITDA bepaalde rentedekkingsgraad van de onderneming lager lag dan 1,0;



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