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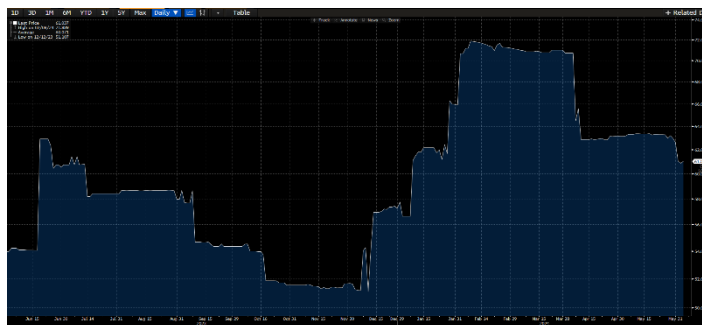
# HSEFIN Float Secured 2026

## Notes

### Key Details

June 5, 2024

Item	Details
Exp. 1-Year Return	70%
Expected Sell Price	75
Security	Secured
Coupon	EURIBOR 3M+575 bp
Maturity Date	10/15/2026
Current Price	61.04
Yield to Worst (YTW)	33.90%
Current Yield	15.69%
Modified Duration	0.088
Years to Maturity	2.36
Issue Date	5/6/2021
Next Call Date	6/15/2024
Next Call Price	100
Yield to Call	--
Amount Outstanding	250
Credit Rating (BBG Composite)	B-
Recovery Rating (S&P)	3(50%)
Country of Risk / Incorporation	LU
Currency	EUR



**Recommendation:** We suggest buying HSEFIN floater at \$50. With possible selling price at \$75 on 1 year horizon an expected annual return is 70%. Current yield is ~15.7%, at \$50 current yield is 19.2%.

- High YTM and current yield, big spreads to EUR EU composite B- Yield Curve
- These issues (also HSEFIN 5.625 10/15/2026) are secured.
- On the chart looks like turnaround after bottoming near \$50 (which is recovery rating of S&P)
- Cash on balance on March 31, 2024 was €55 mil, undrawn RCF €35 mil.
- Adjusted EBITDA (LTM) at €93 mil.
- Expected sale of Russian business may improve liquidity further
- Company may service its interest payments

#### Important Risks to consider:

- Highly competitive landscape in Germany (American QVC is the main competitor)
- Free operating cash flow (after leases) hardly covers interest expense although EBITDA/Interest is reasonable at ~2.
- High Net leverage at 6.7x (ex Russia)
- S&P could also lower the rating by multiple notches (from B-).

#### HSE Group Business

HSE is a German Live-commerce (Tele-)Retailer. Sells products through TV and Internet. Has business in DACH (Germany, Austria, Switzerland) and Russia. Before 2022 Russian business gave 10% of revenue and profits in 2022.

Brands include Judith Williams, BeGold, Miri, 10Beauty, BPerfect, etc.

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