EMERIA, Where is the value?

Emeria (formerly Foncia) has seen heightened volatility in the secondary market over the past week. The company is a global leader in residential property services, with operations across France, Germany, Switzerland, the UK, and the Benelux, and has been majority-owned by Partners Group since 2016. A corporate with 3.5 billion euro total debt.

While various narratives have circulated to explain the recent negative price action, these appear largely opportunistic-or overly simple-rather than fundamentally driven. In my view, the volatility is best understood through a familiar high-yield lens: persistent over-leverage. Elevated leverage levels tend to resurface bearish sentiment, particularly when fears of rating pressure and CLO-related technicals converge, amplifying moves in the secondary credit market.

Emeria has carried a highly levered balance sheet for several years. In 2023, net senior secured leverage was approximately 6.0x, increasing to around 6.3x on a total basis. The leverage is the direct result of an aggressive acquisition strategy-never concealed-aimed at cementing and expanding leadership positions across its core markets. Today, according to financial numbers (they need some interpretation…), net senior secured leverage stands above 7.0x (8X net total), albeit improved from roughly 7.5x mid 2025 following the proceeds of the Assurimo divestment, completed in September 2025 but being communicated to the market earlier in an effort to alleviate investors' concerns. Today the market pricing of the bonds reflects strain: senior secured notes trade at yields to worst in excess of 12%, while the unsecured bonds are priced at distressed levels.

It is worth recalling that when Emeria issued into the market in January 2023, it was already offering for a successful syndication a generous coupon of 7.75% on the secured tranche while the unsecured bonds were trading in secondary at a ~9% yield to worst. The relatively narrow and stunning 125 bps secured–unsecured spread at the time-2023- illustrates how materially mispriced the unsecured risk of the subs was. It is even more notable that in 2021 the company was levered 5.1x on a net senior secured basis and the SSNs (rated B2/B/B+) were issued at 3.375% with a seven-year maturity. A 430 basis point difference in senior debt pricing in primary over just two years plainly illustrates the materially different risk profile of the corporate (deteriorated with the complacency of disfavored covenants protecting investors.

I write this for those willing to perform an analysis of the 2021 loose legal docs).

Valuing Emeria fairly has historically been difficult due to the scarcity of direct comparables in the European high-yield market. The 2021–2023 bond yield levels and loan prices, however, were clearly driven by irrational exuberance and/or illogical financial decisions. I can put in evidence, for example, how in Q1 2025 the term loan E+3,5% March 2028 was at 95-96 cents when the corporate was 8.1X levered. Overconfidence? Technicals?

From a credit perspective, the setup is fragile yet interesting. Despite the heavy leverage (Emeria, I deem, should come down 1.5X turns) and constrained operating flexibility, both the company and the underlying business trade at elevated EV/EBITDA multiples. While the capital structure appears unsustainable over the medium term—given execution risks around the strategic plan, modest free cash flow generation, and significant debt servicing requirements—the liquidity remains adequate, supported by several management initiatives. There are also other positive offsets to consider: A) additional asset disposals remain a viable lever, B) the company could pursue a preferred equity raise well ahead of its 2028 liability maturity wall.

Factoring the absence of CLO-induced forced selling, current or moderately stressed pricing in senior secured bonds and loans appears risk-adjusted defensible when viewed through a refinancing lens. Price drops could serve as an effective entry point to attract investors. By contrast, the unsecured 2029 notes remain considerably more challenging and riskier (especially when compared with names such as Merlin Entertainments: in Emeria's case, the maturity differentiation is a key driver of poor relative value of the 2029s versus the 2027s of the entertainment company).

Emeria is a credit acquired and grown with leverage (in a low rate environment). Now it's time for the PE to get the company in shape.