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Oaklins Germany Debt Advisory Insights

Financial Key Figures in Focus

How Cash Flow, Leverage, and Covenants
Influence Creditor Claims

Guidance for CFOs and Shareholders on Handling Credit-Related
Key Performance Indicators



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Those who understand their key financial metrics can not only negotiate financing but also manage it effectively, thereby strategically shaping their capital structure.



Financial Key Figures as a Strategic Negotiation Tool



In focus of the report:

UNDERSTAND

Which financial key figures (Cashflow, Debt, Covenants) influence capital provider decisions in the current market environment?

CONTROL

How can CFOs systematically prepare these key figures and strategically embed them into the financing process?

NEGOTIATE

How does Oaklins support companies through benchmarking and structured positioning to achieve better conditions?

In a market with selective capital providers, **Cash Flow Stability** and **Debt Serviceability** become **central negotiation levers**. CFOs who strategically control their key figures can not only achieve better conditions – they also actively shape their capital structure.

It is not solely the level of **leverage** that is decisive, but the **overall interaction** of cash flow stability, interest coverage, and covenant structure. Those who understand these metrics and communicate them transparently improve their negotiating position significantly.

Oaklins Debt Advisory combines our financial analysis with capital market expertise: We support companies with compelling arguments for better capital providers and structure debt to their strongest negotiating advantage.



The Three Dimensions of Financing Analysis

How Capital Providers Classify Revenue Strength, Debt, and Liquidity

CFOs who understand this structure can prepare their key figures strategically and strengthen their negotiating position.

Profitability & Cash Flow Stability

The sustainability of operating earnings and their conversion into liquidity form the foundation of credit assessment and influence debt limits as well as interest structure.

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Risk-bearing capacity: Defines the sustainable level of debt and the range of possible financing structures.

Key Metrics: EBITDA, EBITDA Margin, Cash Conversion Cycle, and Operating Cashflow.

Debt & Debt Service Capability

These key figures demonstrate the resilience of the capital structure and the ability to meet interest and principal payments.

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Covenants: Form the basis for establishing covenant thresholds and ongoing monitoring of the capital structure.

Key Metrics: Net Debt Ratio, Interest Coverage Ratio, and Debt Service Coverage Ratio (DSCR).

Liquidity & Financial Flexibility

They provide evidence of short-term payment capability, investment capacity, and stability in operations.

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Risk Assessment: They assess short-term stability and thus capital provider risk evaluation.

Key Metrics: Quick & Current Ratio, Free Cashflow, and Liquidity Reserve.

Central Key Figures of Financing Analysis

What Capital Providers Examine and CFOs Control

	Key Figure	Significance for Capital Provider	Calculation Logic
Profitability & Cash Flow Stability	EBITDA / EBITDA Margin	EBITDA is derived from operating results before interest, taxes, and depreciation. The margin sets it in relation to revenue. It demonstrates how profitably the operating business operates.	EBITDA / Revenue
	Operating Cashflow	Results from ongoing business operations after working capital changes. It demonstrates whether the operating business sustainably generates cash.	EBITDA - Δ Working Capital - Taxes
	Cash Conversion	Calculated as operating cashflow in relation to EBITDA. It demonstrates which percentage of earnings flows into liquidity.	Operating Cashflow / EBITDA
Debt & Debt Service Capability	Leverage	Simplistically stated: how many years the company theoretically needs to repay its net debt from operating earnings.	Net Debt / EBITDA
	Interest Coverage Ratio	Demonstrates how frequently the annual interest expense is covered by operating earnings.	EBITDA / Interest Expense
	Debt Service Coverage Ratio	Cash flow available for debt service in relation to interest and principal payment obligations. It demonstrates whether operating cashflow is sufficient to service total debt.	CFADS / (Interest Expense + Principal Payment)
Liquidity & Financial Flexibility	Cash Balance	Sum of liquid funds on the balance sheet. It demonstrates immediately available payment capability.	Cash Balance + Bank Balances
	Liquidity Headroom	Available, unused credit lines plus liquid funds. It demonstrates financial flexibility under existing financing agreements.	Cash + Free Credit Lines (RCF)
	Operating Working Capital Development	Changes in receivables from customers, inventory, and payables to suppliers over time. It demonstrates how strongly liquidity in operations is tied up or released.	Δ (Receivables + Inventory - Payables from Suppliers)

The Equity Ratio as a Lever of Financing Strategy

How Active Balance Sheet Management Reduces Capital Costs and Secures Strategic Flexibility

What the Equity Ratio Defines and Why It Forms the Foundation

The equity ratio is far more than a regulatory balance sheet metric: it is the central measure for debt capacity. For capital providers, it creates primary security and defines the maximum leverage headroom. A strong equity ratio signals independence and ensures the company maintains operational flexibility even during stress scenarios.

Core Function: Basis for internal rating and credit decision-making.

Signal Effect: Confidence builder for long-term partners and suppliers.

Why CFOs Should Actively Shape the Balance Sheet Structure

Those who actively manage their equity ratio take the initiative rather than reacting to events. Especially during periods of market volatility, a robust equity ratio is key to securing liquidity reserves and minimizing banks' risk premiums (spreads). Through targeted management of retained earnings or capital measures, the foundation for future growth is laid.

Benefit: Reduction of weighted average capital costs (WACC) through improved rating.

Strategy: Securing access to favorable external capital in every market cycle.

The Role of Mezzanine and Hybrid Capital

In the modern corporate segment, "equity capital" is a multifaceted concept. Through the use of mezzanine structures or hybrid capital, the economic equity base can be strengthened structurally without diluting the voting rights of shareholders. This increases operational flexibility and optimizes balance sheet presentation for classical creditors.

Mezzanine: Subordination increases acceptance with senior banks.

Hybrid Capital: Combination of balance sheet strength and tax-deductible interest expense.

Financial Key Figure Transparency Strengthens Negotiating Position

Four Factors that Convince Capital Providers and that CFOs Can Control

Financial key figures are far more than mere reporting metrics: they are central levers to actively steer financing conditions and capital structures. Whoever strategically manages **cash flow stability and debt service capability** shifts from defensive legal protection to a **dominant negotiating position**.

Through targeted preparation of these factors, transparency directly translates into **measurable competitive advantages and optimized interest rate conditions**.

1. **Demonstrate stability:** Predictable cash flows outweigh short-term revenue growth.

2. **Ensure the quality of EBITDA:** Only clearly adjusted figures build credibility.

3. **Improve cash conversion:** Strong cash flow gives you room to negotiate.

4. **Strengthen the equity ratio:** A solid equity base increases borrowing capacity.

5. **Promoting transparency:** Clear key figures build trust and reduce risk premiums.

The evaluation of financial metrics is **not a rigid assessment by the financier**, but rather the result of active management. Transparency, traceability, and continuous KPI management lay the groundwork for **lower costs and greater flexibility**.

Debt Advisory uses your key metrics to craft a **compelling financing pitch** – your strongest argument in competition among capital providers to achieve superior financing terms.

The Oaklins Team has Extensive Expertise

<p>Project Toblerone </p> <p>acquisition financing and asset financing</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Automotive</p>	<p>ALEX & GROSS </p> <p>unsecured term loan & working capital facility</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Food & Beverage</p>	<p>PARAGON </p> <p>undisclosed alternative equity financing</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Automotive</p>	<p>Deutsche Industrie REIT-AG </p> <p>a total of €65m financing</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Real Estate</p>	<p>FCR Immobilien </p> <p>promissory note with a volume of €10m</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Real Estate</p>
<p>PME Infrastructure </p> <p>has raised \$600m in a related party transaction</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Other Industries</p>	<p>Deutsche Konsum REIT-AG </p> <p>a total of €115m financing</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Real Estate</p>	<p>ENCAVIS </p> <p>€60m bearer bond & €20m green label corporate bond</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Energy</p>	<p>ALUCOM </p> <p>unsecured working capital facility</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Industrial Machinery</p>	<p>Hemink Groep </p> <p>has been acquired by</p> <p>Gimv</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Real Estate</p>
<p>Gimv </p> <p>has acquired</p> <p>novicare</p> <p>M&A BUY-SIDE</p> <p>Healthcare</p>	<p>MML </p> <p>has raised new debt facilities</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Business Services</p>	<p>iwell </p> <p>has raised US\$31 million led by Meridiam with co-investment from investNL</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Engineering Services</p>	<p>West Friesland Dakbedekkingen </p> <p>has secured a tailored financing package from</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Construction</p>	<p>uniphar </p> <p>has extended their existing financing syndicate and added a €150m term loan</p> <p>FUNDING, DEBT ADVISORY & ECM</p> <p>Healthcare</p>

Local Expertise, Global Liquidity:

- **40 countries:** Teams across more than 40 countries collaborate within our network and are familiar with the relevant funding sources and market participants in each region.
- **Industry specialists:** Our advisors are organized by industry and focus on the key metrics, business models, and market cycles of your industry.
- **Independence:** As an independent advisory partner, we are not tied to any investors and can propose financing solutions that are primarily aligned with your company's goals.

Oaklins Debt Advisory: Transforming Financial Metrics into Strategic Negotiating Leverage

Strategic Areas of Support

- **KPI Validation & Benchmarking:** Analysis of cash flow and leverage structures compared to standard market financing parameters.
- **Debt Story Development:** Translating quantitative financial data into a compelling narrative for banks and alternative lenders.
- **Capital Structure Design:** Development of customized financing frameworks, including optimization of maturities, covenants, and amortization profiles.
- **Transaction Management:** Comprehensive support throughout the financing process, from structured market outreach to the final negotiation of terms.

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