



ISSUER RATING

Long-term Rating

Outlook: Stable

First rating date: 26/05/2014
Review date: 30/04/2020

Analysts

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Executive Summary

This document details the executive summary of the rating for Ortiz Construcciones y Proyectos, S.A. awarded by Axesor rating.

The result of the review is that the rating (BB+) is maintained with the change in the trend to Stable from Positive.

Rationale

Business Profile

- ▶ **Company with adequate competitive positioning and in a situation of progress in terms of international activity.**

With 59 years of history and €640M of turnover in 2019, Ortiz is positioned as a leading company in the national infrastructure market, and with a moderate position in the international arena. Since 2010, its internationalisation strategy has focused mainly on Latin America, where it is currently considered to be implemented in Mexico, Colombia, Peru, Panama and Japan. International activity will continue to play a leading role in 2019 (64% of turnover), driven by the Energy segment and the construction of its concession assets.

- ▶ **Business with positive fundamentals in its diversification in terms of business and markets, allowing a growth in turnover and new contracting at this time.**

The construction activity which serves a variety of segments is widely developed in the Ortiz group, allowing it once again to exceed historical financial results and obtain a positive recurrence in new contracts. In 2018 the outstanding production backlog defined as Infra.+Energy+12 months of concessions, remained stable at a figure of €1,223 M, maintaining a revenue coverage of 1.9x. However, progress in the development of the concession business allowed the total unadjusted backlog to increase by 21% to €6,755M.

Financial Profile

- ▶ **Adequate profitability in operations, favoured by divestment of assets and reduction of financial costs.**

In 2019, Ortiz increased the generation of positive results with the achievement of a new record in turnover (€640M) and the continuity in the disinvestment of assets that mitigates the moderate profitability typical of its sector. The improvement in EBITDA and financial results allowed for significant growth in net profit (+49.3%).

- ▶ **Negative behaviour of cash generation and debt during 2019. The liquidity and debt situation remains adequate, even under a stressed situation resulting from the impact of COVID-19.**

During 2019, the negative evolution of its free cash flow (€-44.4M), mainly due to the worse performance of the 'working capital' (increase of debtors) and the lower divestments compared to the forecast, had a negative impact on the net cash generation and on the progress in the financial debt reduction strategy. Thus, the adjusted Net Financial Debt/EBITDA ratio was 2.51x (1.6x in 2018). At this time, management is working on attracting new financing which, together with the execution of its current backlog and planned divestments, will strengthen the company's liquidity.

Main financial figures

Main consolidated figures				
€thousands	2017	2018	2019	2019-18
Turnover	429,202	605,305	640,201	5.77%
EBITDA	31,099	39,373	46,449	17.97%
EBITDA margin	7.25%	6.50%	7.26%	0.75pp
Adjusted EBITDA (1)	46,117	47,744	54,783	14.74%
Net result	17,190	15,717	23,472	49.34%
Net Equity	227,384	217,816	227,616	4.50%
Net financial debt with recourse (NFD) (2)	104,099	76,173	137,342	80.30%
NFD with recourse / Adjusted EBITDA (1) (2)	2.26x	1.60x	2.51x	0.91x
Adjusted net financial expenses (3)	-7,615	-8,459	-6,501	23.15%
Coverage on adjusted EBITDA (3)	6.06x	5.64x	8.43x	2.78x
Total balance	749,272	785,116	842,039	7.25%
Operating cash-flow	27,808	7,986	-31,370	-492.81%
Net cash-flow	-41,094	24,627	-36,387	-247.75%
Cash	69,791	89,156	51,898	-41.79%

(1) calculated for covenant´s compliance as 'EBITDA with recourse': Consolidated EBITDA plus Distributions plus/minus Results from divestments of non-recourse projects, and minus EBITDA from non-recourse projects.

(2) calculated for covenant´s compliance: Financial Debt minus Financial Debt of projects without recourse minus Cash (excluding reserve accounts in projects without recourse).

(3) calculated for covenant´s compliance as 'Net financial expenses with recourse': Financial expenses of the debt with recourse minus Income from cash positions and Other financial investments.

Outlook

The current rating shows a **stable outlook**.

In light of the complicated situation of 2020, Ortiz is planning a progressive and partial recovery of activity in all its markets, as has happened in Spain, and the extraordinary and ordinary measures taken to reinforce its liquidity.

Meeting its liquidity targets and regaining the ability to continue with the strategy of reducing its financial debt are necessary milestones to improve the rating. On the other hand, the observation or confirmation of a deterioration in cash generation that prevents it from meeting its financial commitments is a key element for a potential downgrade in the rating.

Regulatory information

Sources of information

The credit rating assigned in this report has been requested by the rated entity, which has also taken part in the process. It is based on private information as well as public information. The main sources of information are:

1. Annual Audit Reports.
2. Corporate Website.
3. Information published in the Official Bulletins.
4. Rating book provided by the Company.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, Axesor Rating assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies, and in accordance with the Corporate Rating Methodology and Outlook Methodology that can be consulted on www.axesor-rating.com/en/about-axesor/methodology and according to the Long-term Corporate Rating scale available at www.axesor-rating.com/en/about-axesor/rating-scale.
- Axesor publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months axesor has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

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