



ISSUER RATING

Long-term Rating

Outlook: Stable

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Rating Action

Ethifinance Ratings maintains the rating of Ortiz Construcciones y Proyectos, S.A. at BB+ and with a stable outlook.

Executive Summary

Incorporated in 1961 and with its registered office in Madrid, Ortiz Construcciones y Proyectos, S.A. and subsidiaries (hereinafter Ortiz or the Group) operate through the following lines of business: concessions (transport, hospital and energy infrastructure, etc.), energy (construction of photovoltaic, wind and solar thermal power generation facilities, substations and energy transport and distribution), construction and infrastructure services (civil engineering, railroad, water, environmental, etc.) and property. The Group, which began operating as a family-owned road infrastructure construction company in Spain, has gradually increased its international presence to become a global group. It is currently present in thirteen countries and, in addition to Spain, is present in Colombia, the United States, Mexico, Panama and Japan. In turn, throughout its history it has diversified its activity towards investment, construction and operation through concessions of different infrastructures, such as hospitals, roads, power lines and substations and photovoltaic plants, among others, in addition to maintaining, in an increasingly residual form, its building and rehabilitation activity. At year-end 2021, the company reported revenues of €478.1M with a Group EBITDA of €56.2M, registering a DFN/EBITDA ratio of 2.1x.

Fundamentals

Business profile

- ▶ **The Group, which has been operating in the infrastructure construction sector for more than 60 years, currently maintains a business model with a global presence and focused on investment in concessions with low demand risk, although so far the development of this activity is consolidated by the equity method, and its importance is not reflected in consolidated turnover and EBITDA but in the Group's EBITDA.**

With more than 60 years of history, Ortiz is positioned in the market as a reference company in the national infrastructure construction market and a moderate position in the international arena, while in the concession sector it currently maintains a moderate position, although with a significant presence in Colombia, with 5 relevant concessions. Its internationalisation strategy began in 2010 with the main focus on Latin America, and it is currently a global company, present in 13 countries and established in Colombia, the United States, Mexico, Panama and Japan, in addition to Spain. Activity in Spain has recovered to a greater extent than in other countries, accounting for 65% of 2021 revenues.

- ▶ **Ortiz's activity maintains a certain cyclical pattern in terms of investment in public works (bidding and awarding of concessions) and the construction of private works, the latter being a more residual activity. In addition, the activity has been affected by the economic crisis caused by COVID-19.**

The Group's activity is partially affected by economic cycles, with public investment in infrastructure and the number of tenders being relevant aspects for business continuity. In addition, the activity has been affected by the health crisis caused by COVID-19, as the mobility restrictions imposed by the government have caused a delay in the execution of the portfolio.

- ▶ **The construction backlog remains similar to 2020, at €6,297M. Of this portfolio, 79% is international.**

In 2021, the volume of public tenders recovered after a significant reduction in 2020 due to the impact of the Covid-19 pandemic. Ortiz recorded a backlog of €6,297M. 83% of the budgeted invoicing is in the backlog, so, meaning that if the pandemic and its effects are not prolonged, normal execution will be expected.

Financial profile

- ▶ **Partial recovery of turnover, still affected by the pandemic, with a significant recovery in profitability.**

In 2021, thanks to the improvement of the pandemic and less restrictive measures, a gradual recovery in activity was seen. Group revenue at year-end 2021 rose 6% to €478M, mainly thanks to infrastructure activity (+18pp YoY, 49% of total revenue). EBITDA with recourse including project dividends amounted to €56.17M, more than doubled in 2020, thanks to the reactivation of the economic activity business and the impact of the sale of shares in the concession business.

- ▶ **The Group follows an asset rotation policy, divesting mature assets when the market price is appropriate.**

In the last financial year there was revenue of almost €21M due to the loss of control of the Colombian companies Energía de Colombia STR and Hospital de Bosa SAS, following the sale of 20% and 45% of the shares to COFIDES and FIDEX, with an impact on P&L of €18.9M and €1.6M, respectively. Ortiz includes these divestitures in its strategic plan, and does not consider them to be extraordinary income.

- ▶ **It meets its objective of reducing corporate financial indebtedness. DFB decreased by 5% to a total of €166.7M. Maturity schedule with a significant concentration in 2023 due to the maturity of the bond and amortisation of the syndicated loan and ICO loans.**

Funding sources diversified between ICO loans obtained in 2020 (€63.0M), syndicated financing (€35.0M), bonds issued in 2018 (€33.8M), project-related debt (€10M), CDTIs and other financial liabilities (€4.2M) and working capital financing (€20.5M). The debt maturity schedule reflects a strong amortisation in 2023 (€73.1M) due to bond maturity and amortisations of the syndicated loan (€20.2M) and ICO loans (€16.2M). However, the company intends to refinance its syndicated loan.

Main financial figures

Main Consolidated Figures. Thousands of €.					
	2018	2019	2020	2021	21vs20
Turnover	605,305	640,201	450,252	478,094	6.2%
EBITDA	39,373	46,449	20,085	47,452	136.3%
EBITDA Margin	6.5%	7.3%	4.5%	9.9%	5.5pp
Adjusted EBITDA or Group EBITDA ⁽¹⁾	47,744	54,783	26,890	56,172	108.9%
Adj. EBITDA or Group EBITDA Margin ⁽¹⁾	7.9%	8.6%	6.0%	11.7%	5.8pp
EBT	17,261	29,017	9,488	38,653	307.4%
Total assets	785,116	842,039	703,078	765,040	8.8%
Equity	217,816	227,616	209,754	203,224	-3.1%
Gross Financial Debt ⁽²⁾	187,365	199,735	183,010	174,521	-4.6%
Gross Financial Debt with recourse ⁽³⁾	165,329	189,240	175,705	166,669	-5.1%
Net Financial Debt with recourse ⁽³⁾	76,173	137,342	131,732	118,735	-9.9%
Equity/GFD with recourse	131.7%	120.3%	119.4%	121.9%	2.6pp
NFD with recourse/Adj. EBITDA ⁽¹⁾⁽³⁾	1.6x	2.5x	4.9x	2.1x	-2.8x
Funds From Operations ⁽¹⁾	9,631	20,735	2,000	3,290	64.5%
FFO/NFD with recourse	12.6%	15.1%	1.5%	2.8%	1.3pp
Adj. EBITDA /financial expenses ⁽¹⁾⁽⁴⁾	5.6x	8.4x	6.0x	11.4x	5.4x

⁽¹⁾ Calculated for covenant compliance as 'EBITDA with recourse': Consolidated EBITDA plus Distributions plus/minus non-recourse project divestitures, and minus nonrecourse project EBITDA. ⁽²⁾ Total financial debt according to balance sheet, including derivatives and other financial liabilities, excluding confirming. ⁽³⁾ Calculated for compliance with covenants: Financial Debt minus Financial Debt of non-recourse projects minus Cash (excludes reserve accounts in non-recourse projects). ⁽⁴⁾ Calculated for covenant compliance as 'Net interest expense with recourse': Interest expense on recourse debt less income from cash balances and other financial investments.

Rating and Outlook

Ethifinance Ratings maintains Ortiz Construcciones y Proyectos, S.A.'s rating at **BB+** and with a **stable outlook**. Revenues for fiscal year 2021 show signs of recovery, although they have not reached expected levels as they are still impacted by the consequences of the Covid-19 pandemic. However, the Group's profitability improved, partly helped by the asset rotation policy of its concession business, as well as a reduction in its indebtedness, reducing its DFN/Group EBITDA ratio from 4.9x to 2.1x. The Group maintains a solid construction backlog that covers 83% of the expected revenue by 2022.

Sensitivity analysis

Factors that could (individually or collectively) impact the rating

► Positive factors (↑).

Achievement of the strategic plan in the coming years, recovery of turnover, improvement in profitability, increase in the backlog, reduction in the DFN/EBITDA ratio.

► Negative factors (↓).

Non-compliance with the projections provided, deterioration of margins, non-compliance with financial covenants, increase in gross financial debt, significant increase in the DFN/EBITDA ratio or reduction in operating cash flow generation capacity.

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:

- ▶ Annual Audit Reports.
- ▶ Corporate Website.
- ▶ Information published in the Official Bulletins.
- ▶ Rating book provided by the Company.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, Ethifinance Ratings 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.EthiFinanceRatings-rating.com/en-US/about-EthiFinanceRatings/methodology and according to the Long-term Corporate Rating scale available at www.EthiFinanceRatings-rating.com/en-US/about-EthiFinanceRatings/rating-scale.
- ▶ Ethifinance Ratings 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 Ethifinance Ratings 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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