BB+

ISSUER RATING

Long-term Rating

Outlook: Positive

First rating date: 26/05/2014
Review date: 25/04/2019

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 rating awarded is focused on the evaluation of the associated solvency and credit risk in both the medium and long term.

Rationale

Business Profile

- **Benchmark player on a national level with a track record advancement in the consolidation of the international business.**

  With 58 years of history, Ortiz is positioned as a benchmark company in the national infrastructure market. Since 2010, its internationalisation strategy has focused mainly on Latin America, where it is currently consolidated in Mexico, Colombia, Peru and Panama. International activity consolidated itself in 2018 as the main source of turnover (66%), with significant growth in the 'Energy' segment and the concessions area as key strategic elements in the external development of recent years.

- **Business with positive fundamentals in terms of diversification by business areas and by market, allowing at this time the growth of the turnover and contracting.**

  'Multi-segment' operations within the construction activity is widely developed in the Ortiz group, currently allowing the company to reach historical figures in terms of results and the obtaining of a positive recurrence in the winning of contracting. In 2018 the outstanding portfolio (including 12 months of concessions) increased by 18% to 1,224M, maintaining a coverage ratio over revenues above 2x.

Financial Profile

- **Adequate returns on operations, currently encouraged by disinvestment in assets and reduction of the financial indebtedness.**

  In 2018, Ortiz continued with the generation of positive results, achieving record turnover (€605M) and continuing the divestment of assets, mitigating the lower profitability. Lower profitability in operations and negative exchange rate differences (accounting effect) made it difficult to obtain higher results at the end of last year. The progress with regard to reducing net financial debt made it possible to meet the targets by obtaining a Net Financial Debt/EBITDA ratio (calculated for a covenant) of 1.6x.

- **Adequate liquidity situation, within a negative trend in the cash flow from operating activities. Disinvestment in assets and the renewed funding reached (Syndicated Loan + Bond) confirm the improvement of the financial flexibility and allow to support the solvency.**

  The financial improvement of 2018 is based on the increase in the cash position, an aspect supported mainly by progress made in the divestment of assets. The net cash generated by investments has offset the lower profitability and negative cash generation in working capital. On the other hand, the renewal of its main sources of financing allowed it to sustain the increase in liquidity, making progress in the reduction of the financial debt, although more is still pending in 2019 with the amortisation of part of the bond.

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. All the 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 rating.axesor.es/en/about-axesor/methodology and according to the Long-term Corporate Rating scale available at rating.axesor.es/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.

Main figures

Main financial figures

€thousands	2016	2017	2018	2018vs2017
Turnover	347,159	429,202	605,305	41.03%
Consolidated EBITDA (1)	31,659	31,025	27,281	-12.07%
Consolidated EBITDA margin	9.12%	7.23%	4.51%	-2.72pp
EBITDA with recourse (2)	34,830	46,117	47,744	3.53%
Net result	4,973	17,190	15,717	-8.57%
Net Equity	211,573	227,384	217,816	-4.21%
% on balance	30.2%	30.3%	27.7%	-0.09pp
Net financial debt with recourse (3) (4)	94,001	104,099	76,173	-28.83%
NFD with recourse / EBITDA with recourse (2) (3) (4)	2.70x	2.26x	1.60x	-0.66x
Net cash Flow generated	24,268	-41,094	24,627	159.93%
Cash (4)	100,385	69,791	89,156	27.75%

(1) Axesor´s EBITDA: Operating profit – amortization - Allocation to Profit or Loss of Grants Related to Non-financial fixed assets and others – Provision surplus - Impairment losses and gains/losses on disposal of non-current assets - Losses on impairment of and change in trade provision – Results from the loss of control in consolidated holdings - Negative Goodwill on Business Combinations.

(2) Calculated to comply with covenants: Consolidated EBITDA + Non-consolidated EBITDA (€3,9M in 2018) – EBITDA from Non-recourse activities + Divestments gains for non-consolidated perimeter (€13M from sale of SOCIMI in 2018).

(3) Calculated to comply with covenants: Consolidated Financial Debt – Financial debt for projects with non-recourse.

(4) Calculated to comply with covenants: Cash + Current financial investment (excluded reserve accounts of non-recourse projects).

Outlook

The current rating shows a **positive Outlook.**

Ortiz is currently in a favourable financial situation, after meeting its debt targets and renewing its financial liabilities, while adequately winning new contracts.

The consolidation of the positive results and the reduction of debt, under a scenario of higher profitability and cash generation in operations, and the progress made in the winning of new contracts, are elements for a potential increase in the rating. On the other hand, a reduction in profitability and in the capacity to sustain its new contracts are elements for a potential downgrade in the rating.