



ISSUER RATING

Long-term Rating

Outlook: Stable

First rating date: 12/02/2019

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## Rating Action

Axesor Rating affirms Sampol Grupo Corporativo, S.L.'s "BBB-" rating, maintaining its Stable outlook. Under the terms of the formalized issuance, the rating of Sampol Ingeniería y Obras, S.A. is the same as that of Sampol Grupo Corporativo, S.L.

## Executive Summary

Sampol Grupo Corporativo, S.L. (hereinafter, "Sampol" or "the company") is a Spanish engineering company with more than 85 years of history. Its historical positioning in Spain and the Caribbean (82.5% of EBITDA in 2020) in the airport and hotel sectors, together with its activity in power plants (EPC and energy sales) make up the majority of its business. At year-end 2020, the company reported revenues of €129.6m and EBITDA of €12.9m, with a NFD/EBITDA ratio of -0.88x (although our adjusted ratio, which also includes the amounts of customer advances, leads to a ratio of -0.18x).

## Fundamentals

### Business profile

- ▶ **Company with a long track record and an adequate competitive positioning.**

Sampol is identified as a company with extensive experience and specialised in the development and implementation of applied engineering projects in the field of energy, electromechanical installations, telecommunications and automation and systems integration. The group is positioned in the international market as a medium-sized player, although it is a benchmark company in certain business niches and markets where it sustains the recurrence of its business.

- ▶ **Adequate diversification of its business model, with a strong influence of the Spain-Caribbean axis and its activity in the hotel, airport and energy generation sectors.**

Sampol's historical positioning in Spain and the Caribbean (82.5% of EBITDA in 2020), mainly around the airport and hotel sectors, together with its activity related to the construction of power plants (EPC and energy sales) define its business strategy, making up the bulk of its business. Within the latter segment, the company is positioned as the main contractor for the complete cycle of engineering, commissioning and operation and maintenance of infrastructures and systems.

The energy segment, which includes both the sale of energy through plants built for third parties and O&M revenues, accounted for 60.3% of its EBITDA in 2020 (41.7% in 2019), a feature of its business model.

- ▶ **A one-off decline in hiring, with new markets emerging as the mainstay of the recovery.**

In 2020, mainly due to COVID-19, the company significantly reduced the positive contracting data recorded in 2019, reaching €72.8m (€129.4m in 2019). The progress to October 2021, however, reflects the gradual recovery from the difficulties experienced during the previous year, with contracting amounting to €101m and a backlog of €185.5m (€152m in 2019). The improved performance of domestic contracting, together with the appearance of Puerto Rico as an emerging market, has made it possible to reduce the negative impact of COVID-19 on contracting in the Caribbean, estimating an annual figure in line with the strategic objectives, exceeding €100m.

So far, the company has executed three of the four cogeneration plants associated with energy sales and O&M foreseen in the Strategic Plan. The fourth plant, which replaces another project that was not formalised, was awarded in 2020 and is currently in the construction phase, scheduled for 2022.

## Financial profile

► **Slight decline in profitability, albeit helped by lower operating costs and low indebtedness.**

In 2020, Sampol recorded a net result of €-5.2m (-166% YoY), mainly weighed down by the reduction of its turnover by more than €50m (-30% YoY) derived from COVID-19. However, the company was able to reduce its operating and financial expenses, allowing the gross margin to improve in percentage terms (+2.6pp YoY) and softening the decline in EBITDA margin, which despite EBITDA declining by 38%, the margin only fell by 1.3pp. These results reflect, in our view, the company's positive ability to cope with drastic and one-off reductions in its operating figures by cutting costs, with clear indicators of recovery in the performance to October 2021, existing a lower need for cost reductions.

Sampol's business model, which includes both the construction of its own plants and those for sale to third parties, favours a situation of reduced indebtedness, due to its cash generation capacity. The reduction in EBITDA also resulted in a lower capacity to cover financial expenses, reaching an interest coverage ratio of 4.4x (7.1x in 2019).

► **Positive debt position within growing debt requirements, with positive and stable net cash position.**

The slight decline in results was not an obstacle to maintaining a positive financial structure and debt position. In line with forecasts, the company increased its gross financial debt position at year-end 2020 (+14.4%) as part of the strategic objective of building up liquidity to continue investing and, as in 2020, to be able to offset variations in working capital.

Thus, the combination of the €25m bond issue in 2019 and the €50m promissory note programme in 2020 (renewed in 2021), together with the generation of own cash in 2020 and the extraordinary support of the long-term ICO loans for €24,7m during 2020, allowed the company to increase its debt while maintaining a positive net cash position (€11.3m) at year-end and an adequate leverage for the business model it performs. The 2021 outlook is for net cash to remain positive for another year, at around €18m.

► **Positive liquidity fundamentals based on earnings dynamics and achieved cash position.**

Sampol manages a relatively working capital intensive activity supported by a profitable business model and has recently strengthened its liquidity with the help of the aforementioned funds raised. During 2020, the worse working capital performance was adequately managed with the cash generated from operations (FFO) and the evolution in net investment, finally allowing in 2020, thanks to debt raising, to generate positive net cash in order to increase its cash position to €74m (+9.8 YoY).

The company's projection establishes a situation of continued low debt, sustained by its strong cash position, stable profitability of around 11% (from 2023) and CAPEX needs in line with the requirements of its business model. Therefore, Sampol has a positive liquidity position that will allow it to maintain sufficient available sources to support a business plan that continues to invest.

## Main financial figures

Main consolidated financial figures					
(€ 000)	2019	2020	Var. 2020-19	2021e	Var. 2021e-20
Turnover	184,846	129,578	-29.9%	164,993	27.3%
EBITDA	20,757	12,901	-37.8%	16,067	24.5%
EBITDA margin	11.2%	10.0%	-1.3pp	9.7%	-0.2pp
Financial expenses (FE)	2,909	2,963	1.8%	3,083	4.0%
EBITDA/FE	7.1x	4.4x	-2.8x	5.2x	0.9x
Equity	65,686	59,675	-9.2%	64,708	8.4%
% o/Gross financial debt (GFD)	118.9%	94.4%	-24.5pp	107.0%	12.6pp
GFD	55,231	63,211	14.4%	60,461	-4.4%
Net financial debt (NFD)	-12,673	-11,342	10.5%	-4,817	57.5%
NFD/EBITDA	-0.61x	-0.88x	-0.27x	-0.30x	0.58x
Funds from operations (FFO)	18,348	10,434	-43.1%	14,313	37.2%
FFO/NFD	-144.8%	-92.0%	52.8pp	-297.2%	-205.2pp
Cash & equivalents	67,904	74,553	9.8%	65,277	-12.4%

## Rating and Outlook

Axesor Rating affirms Sampol Grupo Corporativo, S.L.'s "BBB-" rating, maintaining its Stable outlook.

## Rating sensitivities

Detailed below are the factors that, individually or collectively, would impact the company's rating:

### ► Positive factors (↑).

Significant progress on the objectives of the business plan under a scenario of sustainable and prolonged profitability growth, together with continuity in terms of a contained level of indebtedness.

### ► Negative factors (↓).

A material deviation in strategic objectives that results in a worsening of the company's current liquidity and affects its ability to meet its payment commitments.

## 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, 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-US/about-axesor/methodology](http://www.axesor-rating.com/en-US/about-axesor/methodology) and according to the Long-term Corporate Rating scale available at [www.axesor-rating.com/en-US/about-axesor/rating-scale](http://www.axesor-rating.com/en-US/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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