

**ISSUER RATING****Long-term Rating****Outlook: Stable**

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Rating Action

EthiFinance Ratings affirms Solaria Casiopea, S.A.U.'s "BBB" rating, maintaining its Stable outlook.

Executive summary

Solaria Casiopea, S.A.U. (hereinafter, "Casiopea" or "the project") is a company dedicated to the generation of electricity through the operation of three photovoltaic solar plants located in Almería, León and Ciudad Real, with a combined nominal power of 2.42 MW. The three plants are built and in operation, with positive operating performance. At year-end 2021, the company reported revenues of €1.6M (+22.5%) and EBITDA of €1.3M (+33.5%), demonstrating a positive capacity to meet its financial commitments through a Debt Service Coverage Ratio (DSCR) of 1.79x (+0.1x).

Fundamentals

Business Profile

- **Consolidated project in operation, under a state regulatory framework currently endowed with uncertainty.**

Casiopea reflects the activity of three photovoltaic plants in operation since 2006 (Almería), 2008 (León) and 2011 (Ciudad Real), which are in suitable conditions for production. In 2021, the plants had an adequate operating performance, maintaining production levels very similar to those of 2020, despite a slight increase in solar radiation. The company operates in the state-regulated electricity market (specific remuneration regime), focusing specifically on renewable energy generation. As a result, cash generation is mainly subject to the regulatory changes applied to the sector and to the correct operational performance of the project itself.

- **Business managed by a specialised and committed shareholder base, equipped with the necessary means for proper management.**

The company belongs to the Spanish group Solaria (rated "BBB" by EthiFinance Ratings), listed on the Ibex-35 and a specialist in photovoltaic power generation, which has almost 30 years of experience in the renewable energy sector. In addition, the shareholder is the main subcontractor for the operation and maintenance of the plant, with the projects having a fully outsourced management system that is correctly instrumented through the various contracts with the necessary specialised suppliers.

Financial Profile

- **Cash-flow mechanism with adequate visibility, not free of uncertainties.**

Since 2013, revenues have had a defined legal framework that regulates production from renewable sources within the national electricity system, enabling the solvency of the cash-flow mechanism to be reinforced by covering both the initial investment and annual operating costs under a predetermined initial profitability concept.

In 2019, Royal Decree-Law 17/2019 was published, maintaining the reasonable return of 7.398% for the next two regulatory periods (2020-2031), an aspect that had a positive impact on the cash generation of Casiopea over the initial estimates. However, the introduction of RD-L 6/2022 and 10/2022, which will be explained below, does not favour the visibility of cash generation at this point in time. Hence, the revisable nature of the remuneration parameters, based on the primary requirement of self-sustainability of the electricity system, is the main uncertainty associated with the project as it limits the quality of the visibility of cash flows.

- **Outstanding annual financial performance, resulting in compliance with financial covenants.**

The operational and financial development in 2021 enabled the project to continue to meet its financial commitments with solvency. Thus, the company's financial

performance was very positive, with revenues and EBITDA increasing considerably (+22.5% and +33.5%, respectively), mainly due to the increase in electricity pool prices. This improvement in profitability contributed to the DCSR at the end of 2021 being above the minimum required by the Project Bond issued, reaching an annual value of 1.79x.

Main financial figures

Main financial figures - Highlights				
(Th. €)	2019	2020	2021	2021vs20
Turnover	1,424	1,270	1,556	22.5%
EBITDA*	1,143	976	1,303	33.5%
EBITDA Mg.	80.3%	76.9%	83.7%	6.9pp
Net profit	140	11	314	2,754.5%
Total assets	17,829	17,527	17,615	0.5%
Equity	8,951	8,904	9,332	4.8%
% o/Total assets	50.2%	50.8%	53.0%	2.2pp
Net financial debt	7,628	7,291	6,645	-8.9%
o/EBITDA	6.7x	7.5x	5.1x	-2.4x
Cash & equivalents	666	856	972	13.6%
Net cash flow*	1,134	1,186	1,216	2.5%
DSCR*	1.56x	1.69x	1.79x	0.10x

(*) Calculated for debt covenant compliance purposes.

Rating and Outlook

EthiFinance Ratings affirms the rating of Solaria Casiopea, S.A.U. at "BBB", maintaining the Stable outlook. The results obtained by the company in 2021 at a technical and financial level, together with the progress to the first half of 2022, show that the projects continue to operate with remarkable stability, having taken advantage in 2021, furthermore, of the high prices of the national electricity pool, leading the company to generate its highest revenue figure in history.

Limitations to the analysis

The project's rating is reviewed without the new remuneration parameters that will apply both for 2022 (with retroactive effect) and for the next regulatory half-period 2023-25 having been published at the date of the report. This uncertainty, which limits the visibility of cash generation, is mitigated, in EthiFinance's opinion, by the current expectations of high electricity pool prices. Thus, while no rating action is currently determined, it is considered necessary to keep a close eye on the regulatory evolution of the project.

Rating Sensitivity

Factors that may (individually or collectively) impact the rating:

- **Positive factors (↑).**

The project's ability to improve, on a sustained basis, the initial cash generation forecasts and/or increase its liquidity.

- **Negative factors (↓).**

The inability of the project to sustain its expected cash generation and/or its liquidity to meet its financial commitments on an ongoing basis, either because of lower operating performance or because regulatory changes in the short term undermine the predictability of its revenue mechanism.

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 Outlook Methodology and Project Finance Methodology that can be consulted on <https://www.ethifinance.com/en/ratings/methodologies> and according to the Long-term Corporate Rating scale available at <https://www.ethifinance.com/en/ratings/ratingScale>.
- 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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