



ISSUER RATING

Long-term Rating

Outlook: Stable

First rating date: 10/05/2018

Review date: 08/04/2021

Analysts

Assistant Vice President

Luis Mesa Garcia
lmesa@axesor-rating.es

Chief Rating Officer

Guillermo Cruz Martínez
gcmartinez@axesor-rating.es

Rating Action

Axesor Rating is downgrading Tyche's corporate rating to B (previously B+/Under observation outlook), based on the weakening of the credit profile of the company driven by the significant impact of the COVID-19 outbreak on the hospitality industry and the group business.

Executive Summary

Tyche operates as a hotel group that includes four five-star resorts, three of which are located in Punta Cana (Dominican Republic) and one in Cancún (Mexico). The establishments are oriented towards luxury all-included tourism, which operate through the 'Majestic' brand. In 2020 (Non-Audited), the group reached a consolidated turnover of €38.7MM (€116.4MM in 2019) and an EBITDA of -€9.3MM (€29.4MM in 2019). These results together with the registered in 2019 (NFD/EBITDA: 9.1x) has implied that Tyche has failed to comply with its financial covenants under their bank and bonds financing. Consequently, the group entered into negotiations with its lenders in order to obtain waivers from its pool of banks and bondholders, which was successfully concluded in June 2020.

Rating rationale

Business Profile

► Small-scale player with a portfolio concentrated in the Caribbean

Small player in terms of number of rooms under management, but with a quality portfolio of assets focused on the holiday sector. However, Tyche Group presents a lack of geographical diversification as a result of its relatively small size when compared to its peers. This aspect has significantly penalized the company's KPIs in 2020, as a result of the effects of COVID-19, that forced the group to close all its resorts as a preventive measure, two of them remain closed as of the date of this report.

► Highly procyclical sector, strongly penalized by the current situation

Business model characterized by its high correlation with the evolution of the economy and the tourism sector. Despite the favorable trend shown by the sector in recent years, the current situation marked by the impact of COVID-19 has led to a drastic reversal of this trend. Additionally, the lack of visibility regarding the full economic and market recovery entails a high degree of uncertainty regarding the prospects of the company's recovery in terms of business generation.

Financial Profile

► Revenues generation and results highly affected by the impact of COVID-19

Significant drop in revenues in 2020 (-67% YoY), as a consequence of a marked worsening in group's activity caused by the effects of the pandemic. In addition, the company's results and EBITDA have shown an important deterioration in this period, standing at negative values. The company expects to recover positive EBITDA generation in 2021, however and taking into account its level of operations (one additional resort expected to open in October-2021) and the current situation within the sector, Tyche's margins will remain in low values.

► Equity structure highly deteriorated in the last year

The negative results reached as well as the increasing leverage levels has penalized notably the company's financial autonomy, with equity representing 42% of financial debt in 2020 (81% in 2019). However, the group maintains an adequate fixed assets coverage ratio, representing equity together with non-current liabilities 98% of non-current assets, at year-end 2020 (estimated).

► **Liquidity position conditioned by the limited financial flexibility**

The company's liquidity levels have shown an improvement in the last year, after the corporate debt restructuring carried out, guaranteeing the continuity of its operations. This milestone has led the group to meet its financial commitments in 2020 and has given more stability in the short-term to its debt maturity schedule. Despite their ability to face their debt payments in 2021, favored by the strengthening of the treasury position, the liquidity levels remain penalized by their limited financial flexibility (short-term funding instruments totally drawn, as of December 2020).

Main financial figures

Main figures ⁽¹⁾. Thousand €

	2018	2019	2020e	20vs19
Revenues	135,706	116,426	38,733	-66.7%
EBITDA ⁽²⁾	46,701	29,448	-9,302	-131.6%
EBITDA margin	34.4%	25.3%	-24.0%	-49.3pp
EBT	31,435	-3,284	-57,049	-1637.0%
Total assets	432,600	511,847	427,563	-16.5%
Equity	183,515	217,364	115,544	-46.8%
Total Financial Debt	220,923	269,545	276,813	2.7%
Net Financial Debt	211,840	267,049	271,638	1.7%
NFD/EBITDA	4.5x	9.1x	-29.2x	-38.3x
EBITDA/Interests	7.1x	2.4x	-	-
FFO	48,687	19,473	-19,361	-199.4%

(1) Figures based on Skysea Flyer.S.L.'s financial statements. (2) EBITDA 2018 does not include extraordinary results obtained by the plot's sale (€7.4MM).

Rating and outlook

Axesor Rating rates Tyche Group with a **B** rating. The outlook for this rating has been placed on **stable**, based on the progressive normalization of the group's operations in the short to medium-term, once all of its resorts are reopened, due to the gradual recovery of the sector and the economy in global terms. In addition, the positive prospects regarding the advance in the immunization process in the main feeder markets in terms of clients will contribute to the progressive recovery of Tyche's activity. In any case, the company will be kept under constant review in the face of the current uncertain and complex economic context.

Sensitivity analysis

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

- **Positive factors:** recovery of the industry and therefore, in the company's main financial indicators.
- **Negative factors:** lower than expected pace regarding the economic and market recovery, implying delays in future re-openings, among others. Lack of expected improvement in their main KPIs and financial ratios.

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-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.
- 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.

Conditions of Use for this document and its content:

For all types of Ratings that the AGENCY issues, the User may not, either by themselves or via third parties, transfer, sublease, sublicense, sell, extract, reuse, or dispose of in any other way the content of this Document to a third party, either for free or for consideration. Nor may they alter, transform or distort the information provided in any way. In addition, the User will also not be permitted to copy and/or duplicate the information, nor create files which contain the information of the Document, either in its entirety or partially. The Document and its source code, regardless of the type, will be considered as the elaboration, creation, or work of the AGENCY and subject to the protection of intellectual property right regulation.

For those uses of this Document which are permitted, the User is obliged to not allow the removal of the copyright of the AGENCY, the date of the Document's issuance, the business name as established by the AGENCY, as well as the logo, brands and any other distinctive symbol which is representative of the AGENCY and its rights over the Document.

The Document and its content may not be used for any illicit purpose or any purpose other than those authorised by the AGENCY. The User will inform the AGENCY about any unauthorised use of the Document and/or its content that may become apparent.

The User will be answerable to the AGENCY for itself and its employees and/or any other third party which has been given or has had access to the Document and/or its content in the case of damages which arise from the breach of obligations which the User declared to have read, accepted and understood upon receiving the Document, without prejudice to any other legal actions that the AGENCY may exercise in defence of its lawful rights and interests.

The Document is provided on the acceptance that the AGENCY is not responsible for the interpretation that the User may make of the information contained. Credit analyses included in the Document, as well as the ratings and statements, are to be deemed as opinions valid on the date of issuance of the reports and not as statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The credit ratings and credit rating prospects issued by the AGENCY are considered to be its own opinion, so it is recommended that the User take it as a limited basis for any purpose that it intends to use the information for. The analyses do not address the suitability of any value. The AGENCY does not act as a fiduciary or an investment advisor, so the content of the Document should not be used as a substitute for knowledge, criteria, judgement or experience of the User, its Management, employees, advisors and/or clients in order to make investment decisions.

The AGENCY will devote every effort to ensure that the information delivered is both accurate and reliable. Nonetheless, as the information is elaborated based on data supplied by sources which may be beyond the control of the AGENCY, and whose verification and comparison is not always possible, the AGENCY, its subsidiaries, and its directors, shareholders, employees, analysts and agents will not bear any responsibility whatsoever (including, without any limitations, loss of revenue or income and opportunity costs, loss of business or reputational damage or any other costs) for any inaccuracies, mistakes, noncorresponding information, incompleteness or omission of data and information used in the elaboration of the Document or in relation to any use of its content even should it have been warned of potential damages. The AGENCY does not make audits nor assume the obligation of verifying independent sources of information upon which the ratings are elaborated.

Therefore the User agrees that information provided by the AGENCY may be another element to consider when making business decisions, but decisions will not be made based solely on it; that being the case the AGENCY will not be held responsible for the lack of suitability. In addition, the use of the information before courts and/or tribunals, public administrations, or any other public body or private third party for any reason shall be solely the User's responsibility and the AGENCY shall not be held responsible for any liabilities on the grounds of inappropriateness of the information's contents.

Copyright © 2021 AXESOR RISK MANAGEMENT S.L.U. All Rights Reserved.

C/ Graham Bell. Edificio Axesor s/n de Armilla (Granada)

C/ Velázquez nº18, 3º derecha, 28001 - Madrid.