



ISSUER RATING

Long-term Rating

Outlook: Stable

First rating date: 22/12/2020

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Executive summary

Detailed below is the Executive Summary of the rating assigned by Axesor rating to Greenalia, S.A.

Greenalia S.A. and its subsidiaries (hereinafter 'Greenalia') is positioned as a producer of renewable energy. During 2020 it is generating the first revenues from energy sales with a current operational capacity of 74 MW through wind and biomass. The company's main area of activity is Spain, where it has a pipeline of 3,461 MW of projects under development. In 2019 the company invoiced EUR 40.2m (+13.7%) with an EBITDA generated of almost EUR 3m, enabling it to cover its financial debt with recourse by 8.5x, pending further progress on its strategic plan.

Fundamentals

Business profile

- ▶ **Adequate competitive positioning derived from its track record in the biomass field and the total portfolio of renewable projects in operation and development of 3.5 GW.**

The company's strategic activity is the generation and sale of electricity through wind (on-shore and off-shore), solar and biomass projects. The biomass activity is vertically integrated from the origin of the raw material to the production of electrical and thermal energy. The company began its activity as a project developer in 2006 and is currently listed on the BME Growth (formerly MAB) since 2017 with a current market capitalisation of over 300M. The vocation to develop its own projects, maintaining 100% ownership of them, and to act exclusively in the national environment are aspects that, together with its 'multi-technology' approach, characterise the competitive positioning of Greenalia.

The current strategic plan (2019-23) aims at developing and building up to 1 GW for energy sales. In addition to the current installed capacity (74 MW), its growth plans are based on a portfolio of projects under development ('pipeline') that reaches 3,461 MW in its different stages of progress, including 50 MW under construction (22.5 MW in commissioning) and 135 MW in advanced development or 'backlog'.

- ▶ **Initial situation as an independent energy producer that maintains Spain as its main area of operations and will enable the current concentration of operations to be improved.**

Greenalia has more than 20 years of experience in the forestry business (buying and selling wood and biomass), where it is widely integrated up to the manufacture of biofuels and energy generation itself. At this time the group continues to expand its industrial activity on a concentrated base of highly recurrent clients, mainly from Spain (82% of sales in 2019). At the close of 2019, the forest/industrial business accounted for 87% of total turnover, with the first income from energy sales being generated in 2020 (EUR 2.1m up to June).

Currently, the most noteworthy milestones in the energy segment include the portfolio of projects in operation (74 MW), where the 50 MW of biomass in the commissioning phase stands out for its significant contribution to the group's revenues.

Financial profile

- **Financial situation influenced by the start of investments in the energy business, which is expected to have a medium-term impact on overall profitability and cash flow generation in response to the general increase in debt.**

In 2019 the company maintained a highly leveraged situation as a result of the moderate profitability of its traditional businesses and the addition of higher debt associated with construction and development of projects that do not generate results. The fact that the company's equity amounts only to 0.16% of the total financial debt plus a NFD/EBITDA ratio of 8.5x in the perimeter with recourse (excluding projects) requires progress to be made on the plans to achieve an adequate financial situation.

- **Issuance of long-term debt in progress as a key element in the financial improvement and achievement of strategic plans. The financial projection estimates an adequate situation to face the financial commitments with the own activity and cash generation.**

The strategic plan continues to demand a significant volume of debt at both the corporate and project levels, as well as debt refinancings that mature in 2022 (EUR 33m). To this end, the company is currently managing the raising of EUR 50m through a Senior Bond with a single 5-year maturity that incorporates obligations and guarantees typical of this type of financing. Adequate compliance with financial commitments is reflected in the financial projections provided by the company, an aspect that is considered in the rating and which at this time still requires a large degree of progress in the development of the business plan.

Main figures

Main financial figures

€thousands	2017	2018	2019	2019-18
Turnover	35,004	35,434	40,291	13.71%
EBITDA	1,823	2,197	2,965	34.97%
% o/EBITDA	5.21%	6.20%	7.36%	1.16pp
Interest expenses	-545	-1,532	-1,270	-17.08%
EBITDA / Interest expenses	3.34x	0.58x	0.29x	-0.30x
Net Equity	4,614	3,069	326	-89.39%
% s/Financial debt	21.31%	2.98%	0.16%	-2.82pp
Net financial debt with recourse (NFDwR) (2)	13,065	30,907	25,271	-18.23%
NFDwR/EBITDA	7.17x	14.07x	8.52x	-5.55x
Funds from operations (FFO)	1,409	1,382	-5,399	-490.67%
FFO/NFDwR	10.79%	4.47%	-21.37%	-25.84pp
Cash (3)	8,582	10,597	16,717	57.76%

(1) includes financial income from asset activation.

(2) excludes debt with guarantee from projects without recourse to the partner.

(3) excludes cash restricted to investment in projects.

Rating and outlook

Axesor Rating gives a credit rating of **BB-** to Greenalia with a **stable outlook**. Our opinion determines that the rating granted reflects the current situation, as well as, the expected future perspective on the company's credit quality.

Sensitivity analysis

Factors that could (individually or collectively) impact in the rating:

▶ **Positive factors (↑).**

A significant advance in the objectives of the business plan and in the generation of cash associated with both industrial businesses and energy projects.

▶ **Negative factors (↓).**

Substantial deviation from the objectives of the strategic plan and which negatively impact the company's liquidity to meet its financial 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:

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 provided ancillary services to the rated entity, but not to its related third parties. However, according to our Conflict of Interest Policy, it does not involve a conflict of interest, since the aggregate sale does not exceed 5% of net turnover.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

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