



ISSUER RATING

Long-term Rating

Outlook: Stable

First rating date: 12/06/2015
Review date: 08/04/2020

Analysts

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Executive Summary

Detailed below is the Executive Summary of the rating assigned by **Axesor Rating** to **Solaria Energía y Medioambiente, S.A.** Solaria operates in the photovoltaic solar sector, participating extensively in the development and operation of projects. It had an installed capacity of 360 MW in the last financial year, where it reached a consolidated turnover of €34.5MM, maintaining positive profitability in its activity and a positive liquidity situation.

The result of the review carried out involves the increase of the rating to **BBB/Stable** from the previous **BBB-/Positive** rating.

Rationale

Business profile

- **Firmly established in its activity and with positive competitive capacity for the generation of business and growth.**

Solaria has the capacity to generate constant and recurring cash flows in a sector that is considered as essential for the economy which favours a positive business performance at this time of international alarm due to the effects of COVID-19. With 18 years of history, Solaria has positioned itself in the market as a listed company of reference in the photovoltaic sector. Its activity as a semi-integrated solar project developer and energy producer, and its strategic focus on Spain (64% of revenues in 2019), characterise its business strategy. It is in this area where it finds a wide path of growth, with a pipeline of projects over 10 GW in varying degrees of progress and a portfolio of operating solar parks with a capacity of 360 MW after the incorporation of 285 MW of new capacity in 2019.

- **Business with positive foundations in its management that currently results in a favourable situation for the execution of its Strategic Plan.**

The company is listed on the Spanish Stock Exchange's Continuous Market, with the founding family and management as core shareholders, accompanied by a professional management team. The growth plans are based on a wide pipeline of projects under development, the positive liquidity situation, and the demonstrated capacity to invest in new projects under a business model (integrated operator and secure energy sales) that allows it to optimise the available cash. The financial year 2019 ended with the start-up of 70% of the planned capacity, with the objective of reaching up to 1,375 MW in 2020.

Financial profile

- **Maintenance of a very positive financial situation following the execution of its investment plans.**

The existing liquidity and the capacity of the group to continue increasing cash within a plan of growth and investment in new projects, allows it to maintain the positive financial situation at this time. During 2019, Solaria increased its consolidated cash position by €25B, maintaining a positive net cash position in relation to debt with recourse (€50.8B). At present, the group's activity is mainly sustained by non-recourse project debt (long-term project finance), which favours the debt situation of the holding.

- **Positive project performance with contributes to compliance with financial objectives.**

The portfolio of projects in operation continues to maintain a favourable performance for the fulfilment of financial commitments and the distribution of funds to Solaria. The activity in Spain was favoured by the legal resolution (RD 17/2019) that maintains the profitability that the government assures to the regulated projects of the group (a yield of 7.398%) until 2032.

During 2019 the cash from projects exceeded €24MM (€10.4MM in 2018) with the extraordinary contribution of €15MM from the re-leveraging of projects in Italy. In addition, the progress made in the implementation of the group's new projects has led to the emergence of important business derived from the services provided by the parent company to these projects in their development phase, including the obtaining of permits, as well as the management and participation in the design and construction (EPC) of the solar plants.

Main figures

Main consolidated figures

€thousands	2017	2018	2019	Var. 2019-18
Turnover	31,124	33,791	34,540	2.2%
EBITDA	25,722	28,359	28,861	1.8%
% o/turnover	82.6%	83.9%	83.6%	-0.4pp
Net result	15,011	21,346	23,871	11.8%
Net Equity	55,698	170,914	193,258	13.1%
% o/balance	19.8%	43.3%	32.2%	-11.1pp
Total financial debt (1)	217,295	215,712	367,337	70.3%
Net financial debt (NFD) (1)	195,246	122,626	248,993	103.1%
NFD/EBITDA (1)	7.6x	4.3x	8.6x	4.3x
adjusted NFD (2)	567	-67,242	-50,791	24.5%
Cash	22,049	93,086	118,344	27.1%
Net cash flow	8,470	71,037	25,172	-64.6%

(1) non recourse debt is included (Project Finance)

(2) non recourse debts and intra-group financing are excluded

Outlook

The rating granted has a **positive outlook**.

In 2019, Solaria made good progress in its growth objectives and has confirmed the positive foundations of its business strategy. At this time of high uncertainty in the markets, the company maintains its objectives based on its robust financial positioning, its condition as an essential activity for the economy, and the capacity to generate recurrence in its activity.

Raising the necessary new financing and fulfilling the short-term growth plans are indicative of a potential improvement in the rating. On the contrary, the failure to meet the financial objectives, compromising the liquidity of the group are elements that would lead to a potential downgrade in the rating.

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/about-axesor/methodology and according to the Long-term Corporate Rating scale available at www.axesor-rating.com/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 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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