



ISSUER RATING

Long-term Rating

Tendencia: Estable

Fecha de primer rating: 03/10/2023

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Rating action and rationale

- EthiFinance Ratings assigns a first rating of "BB-" with a Stable outlook to Grupo Greening 2022, S.A.
- The rating is based on the company's good business profile. In an industry (renewable energy) with considerable growth opportunities it has adequate competitive positioning, supported by diversification: although still concentrated on self-consumption and the Spanish market, Greening is in the process of gaining greater importance as an IPP (Independent Power Producer) and expanding overseas. The good interest coverage (recurring EBITDA/interest >10x in recent years) and the capital increases in recent years, which have strengthened the group's financial structure (which had previously been considered weak, with adjusted equity/TFD <35% in 2020 and 2021), are also factored into the rating.
- However, the rating also incorporates the current size of the company, which to some extent weakens Greening's positioning. Also, we believe that the growth and reorientation plan will have a significant impact on the company's financial profile, mainly in terms of a progressive increase in debt in the coming years, which will worsen the current ratios (DFN/EBITDA <5x in 2022 and FFO/DFN >15% in 2022). In addition to this, the company's tight liquidity situation, even after the capital increase in 2023, has a material constraining effect on group's final rating.
- In line with our new methodology, the company operates in both the Renewable Energy Utilities and Engineering & Construction sectors; the former has a very low ESG risk (sector heatmap score between 1 and 2); the latter has a medium risk (sector heatmap score between 3 and 4). This assessment has an overall positive impact on the sectoral rating. The company's ESG policy we assess as neutral, which has no impact on the rating.

Description

Grupo Greening 2022, S.A. (hereinafter Greening or the group) is a Spanish group that operates in the field of renewable energy, more specifically in the photovoltaic solar energy sector. Founded in 2011 and located in Granada, the company has focused in recent years on industrial self-consumption EPC as its main line of business. However, as part of its strategy to diversify its operations and become vertically integrated in its value chain, the company also operates three other business lines: energy generation (through its own farms), energy commercialisation, and the manufacture of components (structures and panels) for the renewables industry. The company operates both domestically and internationally, in Europe, North America and North Africa, although its turnover is still concentrated in the domestic market.

The company is currently in the process of growth and reorientation of the business towards a greater weight as an IPP, with its own portfolio of wind farms under development. As of June 2023, their capacity had reached 4.7GW at Utility Scale level (ground-mounted wind farms), 100.13 MW at PPA on-site level (mainly rooftop solar panels), and 111 MW of biogas plants. As of June 2023, it already had 0.62MW Utility Scale and a further 6.43MW PPA on-site in operation. 2022, revenues totalled €43.8M (+151.8% year-on-year) with recurring EBITDA of €3.2M (EBITDA margin of 7.5%) and a DFN/EBITDA ratio of 4.4x. The group has been listed on BME Growth since April 2023 and currently has a market capitalisation of €158M (€143M at the time of listing). The company's forward guidance indicates that as of June 2023 Greening is progressing well on its business plan, with LTM revenues of €46M and EBITDA of €3.5M.

Fundamentals

Business profile

Sector analysis

- **Recently created niche sector still fragmented with good profitability, low volatility, and positive growth prospects.** Under EthiFinance's methodology, Greening operates mainly as a self-consumption solar energy construction site operator and to a lesser extent as a producer/marketer of 100% renewable energy. From the analysis of the characteristics of the major sector, we conclude that profitability levels are adequate with limited volatility. Likewise, a medium level of entry barriers is recognised. On the other hand, international organisations forecast

that global energy demand and consumption will continue to grow over both the medium and long term. Given this, and the trend increase in demand for renewable energy within the mix, Greening can be considered to have positive prospects for growth.

- **The renewable energy utilities sector presents a very low ESG risk and the engineering and construction sector a medium risk.** From the overall analysis of these two sectors in which the company operates, it is concluded that the ESG-related risks for the companies concerned and the impacts on social, environmental and stakeholder factors are not material and do not affect the stability or fundamentals of the sectors. In fact, the renewable energy industry sector is aligned with ESG factors. This assessment has a positive effect on the sector assessment as a whole.

Competitive positioning

- **A medium-sized (in terms of turnover) Spanish independent group specialising in industrial energy self-consumption with a growing presence as a service integrator for the renewables industry.** Greening stands out for having positioned itself in the niche market of self-consumption energy for industrial customers, although throughout its history it has become an integrator of a wide range of services related to photovoltaic solar energy. The company has additional business lines such as energy trading, the manufacture of components for the renewable energy industry, and a power generation line with 0.62MW utility scale and another 6.43MW PPA on-site already in operation and a pipeline of 4.7 GW of utility scale photovoltaic parks (< 5 MW parks) under development. It also has a portfolio of 100.13 MW of PPA on-site projects (self-consumption projects) and a pipeline of 111.63 MW of biogas projects. The company's competitive positioning is assessed as adequate as it acts as a niche player and increasingly as a consolidator in a fragmented industry. However, its competitive position is affected by being slightly behind other companies in the sector, especially in the power generation area, with competitors that already have their own plants in operation.
- **High concentration of revenues at both the product and geographic levels.** The group maintains a high, albeit decreasing, concentration of revenues in its activity as an industrial self-consumption energy supplier (66% of total aggregate sales). In addition to this, despite the fact that throughout its history the company has carried out a process of internationalisation, the rating is affected because it still generates a high concentration of revenues in the domestic market (80% of turnover in 2022). On the other hand, the low concentration of clients counts positively. The 5 most important clients in 2022 accounted for only 12.1% of net turnover. All in all, we recognise that the group is in the midst of a process of growth and expansion, making a strong effort in its strategy to meet all the needs related to energy consumption and to have greater control of the value chain, as well as strengthening the internationalisation of sales and attracting international customers.

Corporate governance

- **Shareholder base closely linked to management.** The ownership structure of the group is concentrated in founding partners, which control 73.68% of the company's equity. The largest concentration of shares is in the hands of the CEO-founder (36.84%) followed by the other two founding partners of the company (18.42% each), who are also on the group's board of directors (7 members). Also noteworthy is the presence in the shareholding of Sinia Renovables (owned by the bank Sabadell) with a stake of 9.84%. Despite the concentration in decision-making, the quality of the company's management is considered to be positive, marked by a conservative culture and supported by a growth policy consistent with the evolution of the market and the opportunities for growth arising. The decision earlier in 2023 to list on the BME Growth market is likely to facilitate the raising of fresh financial resources in order to accelerate the group's growth.
- **ESG policy.** Although we have a neutral assessment of Greening's ESG policies, we believe that the adaptation of strategies to ESG trends is still limited, especially in the area of governance. However, we believe that with the BME listing the company will improve in this area over the medium term.

Financial profile

Cash flow and indebtedness.

- **Growing and positive FFO favoured by the increase in EBITDA.** For 2022, the group achieved a new record - but still modest - EBITDA of €3.2M (+174% y-o-y). This was driven by the expansion of the international business, especially in the self-consumption business line in Mexico, and the entry into new markets, as well as by the growth of the product and marketing business lines. These changes point to the company's capacity to generate positive cash flow from operations (FFO/EBITDA of 83.4% in 2022 compared to 75.5% in 2021) growing significantly. However, the company's cash generation in 2022 was compromised by strong variations in working capital and the significant investment plan, financed through a capital increase and the issuance of new debt. The move to list on the BME Growth market in 2023 and the related €23M capital increase will assist the implementation of the company's business plan in the short and medium term.
- **Progressive indebtedness marked by the group's growth.** Net financial debt rose to €14.5m in 2022 (€6.3m in 2021) as a result of the additional financing obtained in order to continue with the group's growth plan. Consequently, the DFN/EBITDA ratio stood at 4.4x at the end of 2022 and the FFO/DFN ratio at 18.8%, compared with 5.3x and 14.2% respectively in 2021. We highlight the strong imbalance in the debt maturity schedule, with 60% of the debt maturing in less than one year at the end of 2022, which could lead to a problem in managing the company's liquidity. However, the good interest coverage, which stood at 10.9x at the end of 2022 (11.5x in 2021), is viewed favourably.

Solvency

- **Financial autonomy at positive levels.** The group strengthened its financing structure in 2022 following the good results and a capital increase of €5.5M, which allowed a significant increase in the company's equity to €9.2M (€1.4M in 2021). As a result, the company was able to significantly improve its financial autonomy levels (ratio of equity to adjusted total financial debt), which increased from 20.7% in 2021 to 60.5% in 2022 (39.8pps higher than in the previous year), given the lower proportional increase in debt than in equity. Once again, the further capital increase related to the listing carried out in 2023 will also have helped the ratio for this year.

Liquidity

- **Very tight liquidity situation.** The group had €9m of debt maturing in the short term (60% of total debt) at the end of 2022, which, together with the investment and growth plan in which the company is immersed, could cause liquidity difficulties if resources and refinancing processes are not managed efficiently. All this, despite growing FFO, the available financing lines, and the cash available at the end of 2022. The inflow of funds from the capital increase carried out in 2023 points to some improvement in the situation.

Disputes

- The group is currently not involved in any controversies we are aware of.

Country risk

- No conditioning country risk has been identified.

Summary of financial information

Main financial aggregates. Thousands of euros.				
	2020	2021	2022	22vs21
Invoicing	9,636,484	17,401,703	43,810,212	151.8%
Recurring EBITDA ¹	556,255	1,193,588	3,272,257	174.2%
EBITDA margin	5.8%	6.9%	7.5%	0.6pp
EBIT	519,775	1,063,327	3,224,426	203.2%
EBIT margin	5.4%	6.1%	7.4%	1.2pp
EBT	452,166	970,769	3,136,766	223.1%
Total Assets	6,158,770	11,645,460	32,948,180	182.9%
Equity	606,254	1,444,424	9,199,256	536.9%
Adjusted Total Financial Debt ²	3,041,312	6,988,461	15,197,746	117.5%
Adjusted Net Financial Debt ²	2,833,823	6,353,641	14,528,195	128.7%
Equity/TFD adjusted	19.9%	20.7%	60.5%	39.9pp
Adjusted NFD/Recurrent EBITDA	5.1x	5.3x	4.4x	-0.9x
FFO	410,247	901,357	2,729,542	202.8%
FFO/NFD	14.5%	14.2%	18.8%	4.6pp
Recurring EBITDA/Interest	7.4x	11.5x	10.9x	-0.6x

Sensitivity analysis

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

Positive factors (↑).

Favourable economic environment resulting in a positive evolution of the sector and higher business volume of the group. Improvement in debt levels (adjusted NFD/recurrent EBITDA below 4x and adjusted FFO/adjusted NDA above 20% on average). Increased financial autonomy (adjusted FFO/TFD above 40%).

Negative factors (↓).

Worsening economic environment. Deterioration of ratios (adjusted NFD/recurrent EBITDA above 6x and adjusted FFO/adjusted NFD below 10% on average) and adjusted NP/TFD (below 20%).

Credit Rating

Credit Rating	
Business Profile	BBB
Sectoral Analysis	A+
Competitive Positioning	B+
Governance	BB-
Financial Profile	B+
Cash flow and debt	BB-
Solvency	B-
ESG Company	Neutral
Anchor Rating	BB
Modifiers	Liquidity
Rating	BB-

Regulatory information

Fuentes de información

La calificación de crédito emitida en este informe ha sido realizada de manera solicitada por parte del ente calificado, participando éste en el proceso. La misma se basa tanto en información privada como pública. Las principales fuentes utilizadas son:

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- Página web corporativa.
- Información publicada por los Boletines Oficiales.
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Información adicional

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- EthiFinance Ratings publica los datos sobre las tasas históricas de incumplimiento de las categorías de calificación, que se alojan en el repositorio central de estadísticas CEREP, del regulador European Securities and Markets Authority (ESMA).
- De acuerdo con lo estipulado en el Artículo 6, apartado 2, en relación con el anexo I, sección B, punto 4, del Reglamento (CE) N° 1060/2009 del Parlamento Europeo y del Consejo de 16 de septiembre de 2009, se informa que en el transcurso de los últimos 12 meses EthiFinance Ratings no ha prestado servicios auxiliares a la entidad calificada ni a terceros vinculados.
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