



ISSUER RATING

Long-term Rating

Outlook: Stable

First rating date: 26/04/2019

Review date: 24/04/2020

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Executive Summary

Detailed below is the Executive Summary of the rating assigned by **Axesor Rating** to **Photonsolar, S.A.** Photonsolar is a 'special purpose vehicle' (SPV) that acts as a 'holding' of seven photovoltaic plants in Spain (hereinafter the projects). The projects are operating since 2006 - 2008.

The result of the review carried out involves a rating rise from BBB-/Stable published in 2019 to **BBB/Stable** rating.

Rating Rationale

Business Profile

► Project in operation under a supportive regulatory framework.

The photovoltaic plants included in the Photonsolar project are operating since 2008, except one, which started in 2006. The projects are at full capacity, obtaining better results than those projected in the Base Case. The company operates in the electricity market, which is regulated by the State, focusing specifically on the renewable energy generation. As a consequence, cash generation is subject to regulatory changes that from time to time may apply to the sector.

► Stable and committed shareholders, with management fully outsourced.

The Issuer has Kobus Partners Management SGEIC as an indirect shareholder, being the co-owner of the project portfolio since its recent acquisition (2018- 1Q2019) and through one of its funds. Photonsolar fully outsources its management system, which is correctly instrumented through different contracts with necessary specialized suppliers.

Financial Profile

► Cash flow generation with an adequate visibility not exempt from uncertainty.

Since 2013, revenues have a defined legal framework which regulates the production of renewable sources within the national electrical system. That regulation allows for a recurrent and strong cash flow generation, covering both the initial investment as well as the annual operation costs. Additionally, the tariff includes a defined financial return over total investment. However, as the group operates in a regulated sector, going forward there is some uncertainty regarding future incomes as they depend on the remuneration parameters established periodically by the Regulator. In 2019, the Royal Decree-Law 17/2019, of November 22, was published, setting the reasonable financial return on investment parameter at 7.398% (7.09% for projects that are litigating against the Administration) for the next two regulatory periods (ending in 2032), with a positive impact on the cash generation of Photonsolar.

► Improvement of the photovoltaic plant's operation and compliance with financial covenants.

In April 2019, Photonsolar issued a senior secured bond in the MARF for € 36.5MM with an annual coupon of 3.75% with maturity in 2038. The positive evolution of the plants' turnover and profits have led to a higher cash generation higher than that projected in the Base Case. According to provisional financial information at the end of 2019, the DSCR has been above the minimum required by the Bond issued, standing at 1.66x.

Main Financial Figures

Main financial figures obtained on the updated Base Case for years between 2020 and 2037 are detailed below:

Project Indicators: Updated Base Case 2020-2037

Issue(€thousands)	36,500
Yield	3.75%
Production Range	P90
Expected investment yield post-2019 (Riv) (1)	7.398% (Binipark and Alameda; 2,84MWn) 7.090% (Photonsolar, Aznalcóllar and Cabezos; 5,98MWn)

Figures Evolution	Minimum	Maximum	Average
Annual production (Mwh)	11,707	13,398	12,270
Turnover (€thousands)	5,654	5,71	5,674
EBITDA (€thousands)	4,524	4,631	4,586
Debt service cash-flow (€thousands)	3,408	4,619	4,028
Service Debt Coverage Ratio (DSCR) (€thousands)	1.34x	1.62x	1.55x

1) Reasonable profitability parameter at 7.398% for 2 regulatory periods as long as they are not in legal proceedings against the Kingdom of Spain, in which case it will remain at 7.09% for the next regulatory period (situation currently under management by the company).

Assesment Limitation

The rating is based on the provisional annual accounts for the 2019 financial year. Therefore, once the audits are completed, in the event that the financial statements for the year 2019 contain significant differences from the provisional ones, the rating will be updated.

Outlook

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

At the end of 2019, the Royal Decree-Law 17/2019, of November 22, was published, supporting the continuity of the reasonable profitability parameter of 7.398% for the following two regulatory periods. Therefore, the cash generation for the next years is considered stable and recurring, with an estimated average RCSD of 1.55x, higher than the minimum required (1.05x).

Favourable changes in regulation or the confirmation of a technical and financial performance higher than the estimated would be indicative of a potential rating improvement. Conversely, substantial changes in cash generation which do not allow the required level of compliance could be a potential indicator of a 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 Outlook Methodology and Project Finance 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 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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