



Executive Summary

This document details the executive summary of the rating for **Ortiz Construcciones y Proyectos, S.A.** awarded by **axesor rating**.

The rating awarded is focused on the evaluation of the associated solvency and credit risk in both the medium and long term.

The rated company has been notified of the rating which has been awarded and has not been modified since.

Credit rating axesor rating

Corporate Name

Ortiz Construcciones y Proyectos, S.A.

NIF A19001205



Positive Outlook

Company profile

Parent company of a Spanish multinational group belonging to the construction sector and whose activity, in addition to that which is purely related to construction, contemplates a business mix with activity in the energy, services, concession and commercial development sectors.

Rationale

Business Profile

- **Benchmark player at a national, level with a global scope of action in its main business lines and adequate diversification of its business mix.**

In recent years, Grupo Ortiz has developed a strategic process based on the internationalisation and diversification of its business lines, due, among other causes, to the decreases in public tenders in Spain.

This process has begun to reap its fruits with the Group positioning itself as an important player in Colombia (motorway concessions), gradually consolidating its introduction to countries such as Panama, Peru and Mexico, as well as adding new markets (Japan) to its scope of action outside of Spain. On the other hand, special mention should be made to the high degree of internationalisation of the 'Energy' line (85% of its turnover), based on project positioning, and this line having established itself as the Group's core segment in the last financial year in terms of turnover..

- **Extensive development of the contracting portfolio.**

In recent years, the internationalisation process has been reflected in the trends of the Group's backlog, in which international projects account for 52%. Of particular note are the awards of three concessions in Colombia in the last biennium, including the construction and operation of major motorways for over 25 years, ensuring a significant recurring cash flow. Despite being affected by the backlog in highly important projects, due to issues considered as not attributable to the company, the portfolio remains stable in relation to the previous year, maintaining an adequate coverage ratio (3.2x in 2016).

- **Adequate business management.**

The strategy of Grupo Ortiz in recent years stands out for the positive decisions made in terms of internationalisation and business development, which have been yielding positive results. The measures aimed at strengthening the company's competitive position are joined by the launch of a non-strategic asset divestment process, all under a conservative financial policy that has allowed it to reduce the levels of dependence on third party resources.

Financial Profile

- **Margins maintained at appropriate levels despite the decline in turnover.**

Grupo Ortiz has recorded a decline in turnover in recent years, mainly due to the impact of delays in certain contracts. Although the operating margin has contracted slightly in the last three years, it remains at adequate levels. The fall in net income in the last financial year is marked by temporary and non-recurring impacts (around €9bn). Thus, in like-for-like terms, net margins remain stable compared to the previous year.

- **Adequate financial structure and decreasing levels of leverage.**

Maintaining adequate financial autonomy and declining levels of indebtedness. Noteworthy is the increase in the Group's position on the Bond (maturing in 2019), bringing it to €16.3bn on 12/31/2016. This, coupled with an increase in liquid resources in 2016, led to a significant reduction in Net Financial Debt (-45% vs. 2015), with a positive impact on the NFD/EBITDA ratio, affording the Group adequate values thereof (1.66x at the closing of 2016).

- **Improved liquidity and cash flow generation.**

There has been an appreciable improvement in the company's short-term liquidity and solvency in recent years thanks to the impact of the financial restructuring carried out in 2015, together with a significant improvement in operating cash flow generation, benefiting in turn from the management of working capital.

Main figures

Main figures, in thousands of euros					
	2014	2015	2016	Var. 16-14	Var. 16-15
Revenues	412.429	376.252	347.159	-15,83%	-7,73%
Recurring & account EBITDA	47.116	34.583	28.489	-39,53%	-17,62%
EBITDA*	52.910	41.220	35.900	-32,15%	-12,91%
EBITDA Margin	12,83%	10,96%	10,34%	-2,49pp	-0,61pp
Net Income	-6.764	15.934	4.973	-173,52%	-68,79%
Net Margin	-1,64%	4,23%	1,43%	3,07pp	-2,80pp
Financial Autonomy	46,35%	51,08%	43,27%	-3,08pp	-7,81pp
Equity	218.061	219.473	211.573	-2,98%	-3,60%
Financial debt	183.516	174.310	160.320	-12,64%	-8,03%
Cash	41.878	60.052	84.443	101,64%	40,62%
Cash & equivalents	56.940	66.900	100.660	76,78%	50,46%
NFD	126.576	107.410	59.660	-52,87%	-44,46%
NFD / EBITDA	2,39x	2,61x	1,66x	-0,73x	-0,94x
Interest coverage	2,84x	2,42x	2,10x	-0,74x	-0,32x
Total assets	688.497	649.140	700.495	1,74%	7,91%
Working capital	67.858	116.401	115.656	70,44%	-0,64%
Cash Flow from operations	14.842	18.912	63.150	325,48%	233,91%

* For the calculation of EBITDA, restructuring costs are adjusted. In addition, extraordinary costs arising from judgments amounting to € 7.8 million are adjusted in 2014. In 2016, it includes cash plus interest from the non-consolidated concessions.

Outlook

In our opinion, the trend of this rating is **positive**. The company's global situation shows a favourable trajectory from the point of view of the consolidation and stabilisation of its main figures and in its main markets, to which greater diversification in terms of business segments and scope of performance is added. This gives good prospects for maintaining the positive path in the aforementioned aspects, setting the basis for a greater recurrence of income and less dependence on isolated trading milestones. No significant changes are expected to the company's rating in the short and medium term.

Our credit opinion is based, on the one hand, on a financial quantitative analysis between 2012 and 2016 (31.12) and, on the other hand, on a qualitative analysis based on data collected both privately from the company being rated itself and from publicly available sources.

Madrid, June 1st, 2017



Julián Villalba Checa
Rating Manager

firma_manuel

Luis Mesa García
Senior Analyst

Conditions of Use for this document and its content:

All the information contained in this Document related to a Private or Preliminary Rating is confidential in nature. The use thereof as allowed by the AGENCY remains solely and exclusively personal, private and internal and not for commercial use by the User.

Within the Rating types Private and Preliminary, the User may not use the Document nor its content for advertising purposes, so, under no circumstances may the User divulge information to third parties, either in its entirety or partially, nor facilitate said information, nor communicate or transfer the Document or its content. For non-constraining informational purposes, the Document may not be published on its corporate website or in any other media.

This limitation of non-publicity and confidentiality will not be applicable in the event of the rating contained in this Document being issued as "Public". Likewise the limitations and sanctions established in the previous section will not apply to the information that has already been officially published prior to the preparation of the Document.

Nonetheless, for all types of Ratings that the AGENCY issues, whether they be Preliminary, Private or Public, 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, non-corresponding 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.

The credit rating contained in this document has been elaborated in accordance with the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 regarding credit rating agencies and in accordance with the methodology developed by the AGENCY to this effect. Further details regarding this methodology can be consulted in the corporate website www.axesor-rating.es.

Copyright © 2017 AXESOR CONOCER PARA DECIDIR S.A. All Rights Reserved.

Corporate Rating Solicited

f4982533-c36f-4228-933a-f38c23ae4562/4/CD

