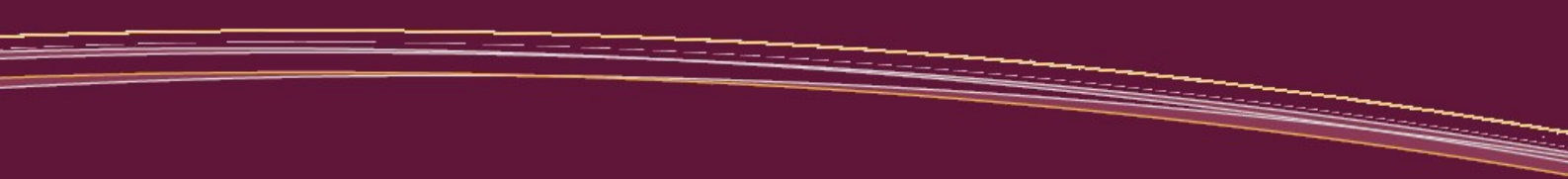


axesor
rating




Executive summary

Detailed below is the Executive Summary of the rating assigned by **Axesor Rating** to **Ortiz Construcciones y Proyectos, S.A.U.**

The rating granted reflects our assessment of the company's creditworthiness in the medium and long-term.

The rating granted has been notified to the rated Company and has not been modified since that time.

Rating axesor rating

Corporate Name Ortiz Construcciones y Proyectos, S.A.U. NIF A19001205		Positive Outlook
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Rationale

Business Profile

- Leading domestic construction company undergoing process of internationalisation**
 Grupo Ortiz has developed an adequate business mix in Spain, marked by its long-standing experience in its core construction business. This is an approach which over the last decade has allowed it to take advantage of synergies between its different lines of business. However, over the last few years the Group's income has been hit by the decline in public tenders in the domestic market. The Group has attempted to resolve this situation by carrying out a internationalisation process, still in a consolidation phase, in which it has set itself an adequate strategy under a prudent framework.
- Positive changes in backlog**
 Grupo Ortiz's backlog has developed positively in recent years thanks to the internationalisation process, which promises a period of growth for the company and thereby helps to offsets the Group's earnings in Spain, where the backlog continues to steadily dwindle, s a result of the decrease in civil works awarded by the Public Administrations. It is important to qualify this increase in backlog with the level of implementation of the internationalisation process, in that the company still has to achieve certain important targets, such as obtaining higher consolidation in the development of energy EPC projects outside the EU.
- Adequate business management underpinned by conservative financial policy and a strategy based on business diversification and current ongoing international expansion.**
 The Group's commitment towards a policy aimed at diversification in business lines towards complementary markets, the consolidation of the concessions business, and the current internationalisation process, have allowed it to maintain and stabilise the Group's competitive position without causing an imbalance in its capital structure, which has been reinforced in recent years.

Financial Profile

- Operating improvements and recovery in margins despite the fall in revenues prompted by lower domestic tendering**
 Despite a relevant drop in turnover during 2013, Grupo Ortiz achieved significant improvements in operating efficiency during the same year, although this should be qualified, on the one hand by the higher financial expenses, and, on the other, by accounting losses in equity largely due to the impairments associated with regulatory changes which have affected energy concessions.

- **Adequate financial structure, though attenuated by the moderate level of debt associated with the property rental sector**

Grupo Ortiz is supported by a capitalised financial structure which has undergone a very positive change over the last year. Likewise, the Group shows a moderate level of debt over operating margins, which is attenuated by level of debt associated with its activities in the property rental business - although the levels of debt are not in a range that is worrisome, with a balanced schedule of long term debt repayments.

- **The Group has moderate liquidity levels.**

Despite the operating improvement achieved in 2013, Grupo Ortiz destroyed cash mainly due to the variations in working capital. This is expected to continue occurring as the internationalisation process advances, although they have been partly offset by positive flows stemming from investment and financing activities. Nonetheless, Grupo Ortiz has positive liquidity drivers which are very useful in terms of financial flexibility.

Outlook

In our opinion, the outlook of this rating is **positive**. Because of its conservative strategic approach, Grupo Ortiz has a positioning and financial profile which is well suited for executing its strategic plan (which contemplates a debt issue for its implementation), and the optimisation of financial expenses. These factors are reinforced with the very positive progress made in international tenders and strategic alliances in recent months, and also swift improvement in cash flow generation prompted by growing internationalisation.

Our credit opinion is based on a quantitative analysis of the financial figures of the years between 2010-2013 (31.12) and on a qualitative analysis based on the data obtained from public and private sources.

Madrid, May 26th, 2014



Julián Villalba Checa
Rating Manager axesor rating



Manuel Jesús Gutiérrez Navarro
Senior Analyst axesor rating

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