



## ISSUER RATING

Long-Term

Outlook Stable

Initiation date 29/11/2022  
Rating date 28/11/2023

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## RATING ACTION AND RATIONALE

- EthiFinance Ratings reaffirms Voltalia SA's long-term rating at "BB", with a Stable outlook.
- This rating is mainly supported by the growing worldwide demand for Voltalia's low CO2 emission electricity, which is mainly produced through its wind and solar plants, as well as for its services, which cover the entire life-cycle of a power plant. The group's net revenues (€469m in FY22, including €245m from energy sales) are mostly backed by long-term contracts granting very good visibility, as 98% of energy sales revenues were under long-term purchase power agreements (PPAs) in FY22, with an average residual contract maturity of 16.5 years, representing around €7.8bn in contracted future revenues at YE22. Also, we view positively the group's focus on non-subsidized markets, with 83% of its installed capacity producing energy at competitive prices at YE22, according to the group. The rating is also supported by Voltalia's shareholder base, with the Mulliez family controlling 71.3% of the company at YE22. In 2022, the group launched successfully a €490m capital increase in order to finance its 2027 growth plan, with the Mulliez family (through Voltalia Investissement) subscribing around €345m and reaffirming its commitment to support Voltalia's development.
- However, the rating is negatively impacted by Voltalia's aggressive financial policy, with a rather high EthiFinance Ratings net adjusted leverage ratio (6.7x at end-2022). Nonetheless, this is in line with the capital-intensive nature of the business and its ambitious growth plan. In addition, the rating is constrained by Voltalia's low portfolio diversification in terms of geographical footprint, as its installed capacity is mostly concentrated in Brazil (65.4% at end-June 2023). We note that, following a deviation from earnings expectations and a deterioration of its projected main credit ratios, the anchor rating of Voltalia was downgraded from BB+ to BB. Therefore, the country risk assessment of Brazil, which previously capped the final rating at BB, does not currently constrain the final rating of Voltalia.
- In line with our methodology, the renewable energy industry has low ESG risks (heatmap score between 0 and 2), which weighs positively on our industry assessment. Meanwhile, our assessment of the company's ESG policy is advanced (company ESG score between 0 and 1), which also weighs positively on our financial assessment and therefore means our rating has been impacted positively due to ESG considerations.

## ISSUER DESCRIPTION

Based in Paris, Voltalia SA (hereafter "Voltalia", "the group", or "the company") is an independent renewable energy producer and service provider. The group develops, builds, operates and maintains both its own power plants as well as on behalf of customers. Voltalia was listed on Euronext Paris in 2014 and currently has a market cap of €1.3bn (at the market close on 15 November 2023). At end-June 2023, Voltalia had more than 1.7k employees in 20 countries and an installed capacity of 1.7GW, with power production of 4,213GWh in LTM to end-June 2023. In addition, the group has 0.9GW of installed capacity under construction and a portfolio of projects under development with a total capacity of 14.2GW.

For 2022, Voltalia reported revenues of €469m (+31.2% yoy), and a slightly lower adjusted EBITDA of €137m (vs €138M in FY21), equivalent to a 29.3% margin. The consolidated EthiFinance Ratings NFD/EBITDA ratio was 6.7x at end-2022. Over LTM to end-June 2023, the group generated revenues of €470m, and EBITDA of €139m (29.5% EBITDA margin).

## MODIFIERS

### Country Risk

As already stated above, the majority of Voltalia's installed capacity and power production are concentrated in Brazil (sovereign rating of BB-/Ba2 by S&P and Moody's, respectively), considered as an emerging country with a business default risk assessment of B (the 5th higher on a scale from 1 to 8) by credit insurer COFACE. In light of the country risk assessments, its emerging risk and the currency exposure, among other characteristics, the final rating for Voltalia is currently capped at BB. However, since the group's anchor rating

was downgraded from BB+ to BB, the country risk assessment does not currently constrain the final rating of Voltalia.

## MAIN FINANCIAL FIGURES

Main financial figures. Millions of €.						
	2021	2022	2023E	2024E	2025E	22v21
Turnover	358	469	500	567	661	31,2%
EBITDA	138	137	198	247	285	-0,1%
EBITDA Margin	38,5%	29,3%	39,5%	43,5%	43,0%	-9,2pp
EBIT	62	56	98	156	179	-9,7%
EBIT Margin	17,3%	11,9%	19,5%	27,5%	27,0%	-5,4pp
EBT	11	-7	19	48	42	-162,0%
Total Assets	2 113	3 035	3 673	3 973	4 452	43,6%
Equity	734	1 339	1 352	1 383	1 411	82,4%
Total Financial Debt	1 091	1 300	1 860	2 084	2 477	19,1%
Net Financial Debt	800	916	1 419	1 819	2 135	14,5%
Equity/TFD	67,3%	103,0%	72,7%	66,4%	57,0%	35,8pp
NFD/EBITDA	5,8x	6,7x	7,2x	7,4x	7,5x	0,9x
Funds From Operations	29	36	65	83	94	23,2%
FFO/NFD	3,7%	3,9%	4,6%	4,5%	4,4%	0,3pp
EBITDA/Interest	2,7x	2,2x	2,5x	2,3x	2,1x	-0,6x

## CREDIT RATING

Credit Rating	
<b>Business Risk Profile</b>	<b>A-</b>
Industry risk assessment	AA+
Industry's ESG	Positive
Competitive Positioning	BB+
Governance	BB+
<b>Financial Risk Profile</b>	<b>B+</b>
Cash flow and leverage	B-
Solvency	BB+
Company's ESG	Positive
<b>Anchor Rating</b>	<b>BB</b>
Modifiers	-
<b>Rating</b>	<b>BB</b>

## RATING SENSITIVITY

### • Long-term rating positive factors (↑)

Voltalia's rating could be upgraded to BB+ if the group managed to improve its portfolio diversification and dependence to Brazil (which would lead us to lift the cap of the group's final rating at BB), while at the same time increasing its profitability ratios and/or debt ratios. For the same business risk profile, a decrease in the consolidated NFD/EBITDA ratio below 5.0x for a sustained period of time could entail a long-term rating upgrade to BB+. We view this as unlikely at the moment, given the company's growth strategy.

### • Long-term rating negative factors (↓)

The rating could be downgraded to BB- by an increase of the proportion of revenues that is at merchant price risk vs at long-term contracted prices, as this would increase the volatility of projects' profitability and therefore deteriorate the currently strong business profile. Also, a material deviation from earnings expectations that would result in lower cash generation and a significant deterioration of its main credit ratios could entail a downgrade to BB-. For the same business risk profile, an increase in the consolidated NFD/EBITDA ratio above 8.5x for a sustained period of time could entail a long-term rating downgrade to BB-.

## RATING DISCLOSURES

**LEI:** 969500KE938Z79ZH1N44

**Initiation report:** No

**Rating initiation:** BB for long-term rating on 29 November 2022.

**Latest rating action:** Initiation of long-term rating at BB on 29 November 2022.

**Rating nature:** Unsolicited (this report is paid by investors, not the issuer).

With rated entity or related third party participation: No, the report was published without having been reviewed by the issuer

With access to internal documents: No

With access to management: No

Ancillary services provided to the entity: 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 EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.

**Name of the rating committee chair:** Marc Pierron, Senior Director

**Material sources used to support the rating decision:**

- Annual report (2020, 2021, 2022)
- Quarterly reports, presentation slides and conference call
- Bloomberg

**Limitation of the Rating action:**

EthiFinance Ratings believes the quality and quantity of information available on the rated entity is sufficient to provide a rating.

EthiFinance Ratings has no obligation to audit or verify the accuracy of data provided.

**Our methodologies used for this rating are available at:**

[https://files.qivalio.net/documents/methodologies/CRA\\_190\\_V3\\_Corporate%20Methodology\\_2023-10-06.pdf](https://files.qivalio.net/documents/methodologies/CRA_190_V3_Corporate%20Methodology_2023-10-06.pdf)

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