EthiFinance Ratings

MAIRE SPA

BBB ISSUER RATING
Long term

OUTLOOK
Stable

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Rating Action and Rationale

- EthiFinance Ratings upgrades Maire SpA's rating from BBB- to BBB, maintaining the Stable outlook.
- This upgrade reflects the group´s positive performance in 2023, with EBITDA growth of 31.1%, which, together with a favourable working capital variation, has enabled it to reduce its debt and achieve a net cash position. Moreover, its strong competitive position has allowed it to increase its backlog by 74% to €15bn at end-2023, and strong growth is expected in the years ahead. In addition, the company's financial profile has been enhanced by our assessment of its ESG policy, which highlights its score on governance and social issues.
- Maire's ability to generate recurring profits and its OCF conversion and low leverage, deriving from a net liquidity position in 2023, is a significant driver of our rating upgrade. The group also enjoys a strong competitive positioning based on its solid competitive advantages with high geographic diversification while it is working on further diversification of business lines.
- On the other hand, the group's rating is constrained by its limited interest coverage ratio due to the cost of the financial guarantees (EBITDA/interest ~5x) and capitalisation ratio (Equity/total financial debt below 70% in recent years), operating in a sector with low margins.
- The construction and infrastructure sectors have a medium ESG risk (sector heatmap score between 3 and 3.5 given their impact on the environment. This assessment results in a sector score that is not affected by ESG factors. The company's ESG policy is considered excellent (company ESG score between 0 and 1), resulting in a one-notch upgrade of the financial risk profile (from BBB to BBB+).

Issuer Description

Maire SpA and its subsidiaries is an Italian-based industrial group providing engineering and construction services in the hydrocarbon and green energy sector. The group has two business units: integrated engineering and construction solutions, covering general contractor execution activities; and sustainable technology solutions for energy transition. For FY23, the group reported revenues of €4,260m (+23% YoY) for EBITDA of €274,4m (+31% YoY) resulting in an EBITDA margin of 6.4%. Maire has a net cash position. As of September 9, 2024, the company had a total market capitalisation of €2,411m.

Fundamentals

Business Risk Profile

Industry Risk Assessment

- **Mature sector with high competitiveness**

The industrial engineering and construction sector is a mature and highly competitive field, characterized by a diverse array of global and regional players. As a result of that, the profitability levels are tight (EBIT margin ~5%-6%) and subject to significant volatility, influenced by fluctuating raw material costs and complex supply chain dynamics.

Profitability in this sector is often impacted by factors such as project complexity and operational efficiency. High competition drives firms to continuously innovate and improve efficiency to maintain margins. Companies that excel in managing large-scale, intricate projects, and that leverage advanced technological solutions often gain a competitive edge. Additionally, there is an increasing focus on sustainability and energy efficiency, with firms that can integrate these aspects into their projects benefiting from enhanced market positioning.

- **High barriers to entry and favourable growth prospects.**

The sector is characterised by high barriers to entry for the type of projects on which Maire's business is focused, as it is capital intensive and requires a high level of technical expertise, experience and innovation to win new projects in a highly specialised market. International organisations forecast that global energy demand and consumption will continue to grow over the medium and long term. Thus, the energy sector sees high growth prospects, albeit within the context of the move away from fossil fuels. Given the group's strategy of focusing on developing green chemistry and energy transition plants for companies in the energy sector, the fundamental outlook is favourable.

- **Sector with medium ESG risk.**

The construction and infrastructure sectors both have medium ESG risks under our methodology (sector heatmap score between 3 and 3.5. This results in a sector assessment which is not impacted by industry-related considerations. Regarding environmental factors, these industries have a medium impact on climate with limited direct emissions but scope 3 emissions that can be huge. The financial materiality is low because regulation is not applying to all the externalities to the industry, but this will probably change. The impact on biodiversity is medium despite land use which can be significant and problematic. However, the sector has a high impact on resources as a heavy user of raw materials (sand, etc), and on pollution by generating significant amounts of waste with limited recyclability as of today. The impact of the industry on the supply chain is limited as competition is strong and the financial dependence limited. In addition, consumers' daily lives are positively impacted by improvement of public works. Countries also benefit from the construction industry, which is a significant employer. However, it is highly unregulated.

Competitive Positioning

- **A medium-sized player with an established international position.**

Maire operates through 50 companies in 45 countries and holds more than 2,300 patents, mainly in the urea and fertiliser sector. As main competitive advantages, the group has a high level of knowledge of the sector thanks to its extensive experience, licenses proprietary technology and know-how for urea producers as well as process design packages. It sells its own fertiliser production equipment and maintains the confidence of its clients by meeting deadlines despite the current complex context.

Maire benefits from a global presence. Geographically, 42,8% of revenues in 2023 were generated in the Middle East, 15,0% in the EU, 4,0% in non-EU Europe, 14,5% in Africa, 11,3% in Asia, and 6,1% in America as well as its home country, Italy. Some 94% of revenues come from its engineering and construction business. 65% of the group's revenues come from ten large contracts (EPC contracts). With the new strategic plan, the group seeks to increase the diversification of its products and services portfolio and expects to grow its technology solutions business.

The group's backlog amounted to €15bn at end-2023, an increase of 74,4%, driven by the €11,2bn order intake generated during the year. At the end of 1H24, the group beat estimates and set a new backlog record with a total of €16,3bn.

Its new strategy focuses on the integration of traditional downstream technologies and new green technology solutions in response to current market demand. The objective is differentiation through a technological expertise coupled with an integrated approach with energy transition at the core of the new strategic plan.

Shareholder Structure and Governance

- **Shareholding structure with significant management participation**

Maire has been listed on the Milan stock exchange since 2007. As a listed company, transparency in management and regular reporting requirements add further control over the management of the group. However, 51% of the company's capital (the other 49% is free float) is held by the chairman of the board of directors, Fabrizio Di Amato, through his company GLV Capital SpA, who throughout his three decades working in the company has successfully grown of Maire. His role in both ownership and management does help to ensure alignment of the group's strategy and the interests of shareholders without compromising objectivity as a listed company. Other major shareholders include the investment fund management company Cobas Asset Management SGIC SA with a 5% stake and Yousif Mohamed Ali Nasser Al Nowais (4% stake), a businessman who has headed several companies and is currently chairman and managing director of Arab Development Group, chairman of Pharmatrade LLC, co-chairman of AlNowais Investments LLC, and chairman of Emircom LLC.

In April 2022, Alessandro Bernini, previously Chief Financial Officer since 2013, was appointed as the new Chief Executive Officer and Chief Operating Officer of Maire.

In 4Q22, in order to integrate technology and processes, Maire reorganised the group into two business units: Integrated Engineering and Construction Solutions, comprising all the execution activities of a general contractor, and Sustainable Technology Solutions, which includes all of the group's sustainable technology solutions or activities, in addition to high value-added or innovative services, mainly focused on energy transition.

Maire has announced its 2024-2033 Strategic Plan, highlighting a significant focus on downstream investments and low-carbon solutions to drive future growth. The plan emphasizes leveraging Sustainable Technology Solutions to advance industry decarbonization and circular economy efforts through proprietary technologies and process engineering. It also outlines an expansion of Integrated E&C Solutions to manage larger projects with enhanced execution capabilities and increased engineering capacity. By 2033, the Group aims to achieve revenues exceeding €10bn and EBITDA around €1bn, with a double-digit margin. The strategy includes over €1 billion in cumulative Capex, including M&A, to strengthen its technology portfolio and support development initiatives. Additionally, the plan projects a dividend payout increase to 55% in 2025 and 66% from 2026, while adjusted net cash is expected to exceed €1.6 billion by 2033, reflecting strong cash generation despite significant investments and dividends.

- **Positive ESG policy.**

Based on the ESG data analysed and with the application of our methodology, EthiFinance Ratings assesses Maire's ESG policies as positive (ESG score between 0 and 1). As a result, the group's financial risk profile is upgraded by one notch. In terms of governance, Maire stands out for having a Board with more than half of its members being independent and for prioritizing the group's ESG issues. In addition, the group conducts its business in accordance with its Code of Conduct and taking into account the various ESG aspects. It also excels in its score in the social category. Maire has a purchasing policy that includes social and environmental aspects, and a significant portion of the group is ISO 9001, ISO 14001 and ISO 45001 certified.

Financial Risk Profile

Sales and Profitability

- **Continues double-digit growth.**

In 2023 Maire's turnover grew by 23% to €4,260m, driven by increased activity as projects under execution have been progressing ahead of plan as well as new projects being initiated. This growth was mainly driven by projects being implemented in the Middle East and Europe. Gross margin recovers (61,9% vs 57,9%) after a 2022 marked by rising material prices. This improvement, along with cost control, led to a 31,1% increase in EBITDA to €274m (margin of 6,4% vs 6,0% in 2022) and EBIT that reached €217m (+37% YoY) with a margin of 5,1% (4,6% in 2022). After financial expenses of €70,3m, the collection of financial income of €39,8m (mainly related to interest on temporary liquidity invested and the positive effects linked to valuation of derivatives), Maire achieved EBT of €186,2m (+44,2% YoY). The Group's profitability is increasing as the contribution of high value-added services grows. 1H24 revenues reached €2,623.6 m, representing 33.5% growth compared to 1H23, driven by steady project execution with a backlog of €16.1bn (€9.0bn in 1H23). EBITDA grew by 41% to €170.4m, with a margin of 6.5% and net income amounted to €97.0 (+79.6% vs 1H23).

Over the next three years, we expect the company to maintain its growth trajectory, primarily supported by a solid project portfolio that provides business visibility. Profitability is projected to remain stable, demonstrating the company's ability to remain profitable even in challenging scenarios.

Leverage and Coverage

- **Net cash position thanks to increase in operating cash flow and high level of cash.**

Maire enjoys increasing operating profit (EBITDA of €274.4m, +31.1%), recurring operating cash flows, and a debt maturity structure that allows it to meet its financial obligations without difficulty. In 2023, thanks to these recurring cash flows and its high cash position, Maire recorded a net liquidity position. However, the interest coverage ratio was only 3.9x as the financial expenses (€70.3m in 2023) include the cost of the financial guarantees required to carry out the projects (financial guarantees issued by banks or insurance companies of €3,944.8m in 2023).

Over the next three years, Maire is expected to maintain a net cash position, despite the increased capital expenditure reflected in the strategic plan, as a result of higher revenues as projects are executed. Interest coverage is also expected to improve as a result of the increase in EBITDA.

Cash Flow Analysis

- **Progress in project execution and a growing backlog led to increasing operating cash flow generation.**

In FY23 the group generated funds from operations of €203.8m (+43.7% YoY), thanks to higher EBITDA. The ability to convert EBITDA into FFO (74% FFO/EBITDA) together with a positive impact on working capital €165.8m, mainly thanks to the client advances on new orders, and a relatively low capex (€59m), enabled the company to generate FCF before dividend of €310.7m (€250.6m in 2022). These funds were used to pay dividends (€40.7m) and repay debt. The remaining cashflow increased cash on balance sheet by €154.9m, up to a total of €915.5m.

Capitalisation

- **Limited capitalisation**

Maire has a financial structure with limited levels of financial autonomy (Equity/TFD ratio of 64.6% in 2023). Nevertheless, the group has the capacity to generate funds on a recurring basis. On the other hand, as mentioned above, the group's activity requires guarantees and collateral for tenders, entailing additional off-balance sheet commitments (€3,944.8m in 2023). At the end of 1H24 Maire maintained an Equity/TFD ratio of 57%. It should be taken into consideration that it is a listed company and therefore has access to the market to raise capital if necessary.

Liquidity

- **Superior liquidity ratio.**

Excellent liquidity to meet investment and financial commitments. Thanks to recurring cash generation and a conservative financial policy on both investments and dividends, the company maintains a solid cash position (€915.5m) and had undrawn limits of €329m in credit lines, RCF, overdraft limits and commercial paper undrawn at the end of 2023. The company has more than sufficient liquidity to execute its strategic plan, which includes significant capital investments over the years ahead (€140-170m).

Modifiers

Controversies

- **No controversies have been identified as of the date of issuance of this document that could affect the rating.**

Country Risk

- **Activity affected by the conflict between Russia and Ukraine.**

Maire Tecnimont was carrying out several projects in Russia when the conflict between Russia and Ukraine erupted. Maire Tecnimont has largely halted its operations in Russia due to European sanctions following the Ukraine crisis. By mid-2022, all ongoing projects were suspended, and the company entered into suspension and termination agreements for its major contracts, including the Amur AGCC and Amur projects. Despite these challenges, Maire Tecnimont is managing its financial exposure with ongoing assessments and actions to mitigate risks. While some projects like Volgafert were completed in compliance with sanctions, others, are on hold or have been terminated. The rating has not been adjusted considering this information and the fact that non-EU countries (Russia and Turkey) only accounted for 4% of revenues in 2023.

Main Financial Figures

Main financial figures. Thousands of EUR	FY22	FY23	FY24e	FY25e	FY26e	23vs22
Turnover	3,463,723	4,259,511	6,035,727	6,856,586	7,631,380	23.0%
EBITDA	209,317	274,407	395,340	452,535	526,565	31.1%
EBITDA Margin	6.0%	6.4%	6.5%	6.6%	6.9%	0.4pp
EBIT	157,989	216,540	331,138	385,993	452,434	37.1%
EBIT Margin	4.6%	5.1%	5.5%	5.6%	5.9%	0.5pp
EBT	129,097	186,215	286,395	345,649	408,142	44.2%
Total Assets	5,391,275	6,341,946	7,646,534	8,352,321	9,037,229	17.6%
Equity	528,051	579,700	714,126	844,968	984,586	9.8%
Total Financial Debt (1)	927,746	897,650	807,611	854,060	900,508	-3.2%
Net Financial Debt	165,283	-17,851	-30,781	-15,457	-2,814	-110.8%
Equity/TFD	56.9%	64.6%	88.4%	98.9%	109.3%	7.7pp
NFD/EBITDA	0.8x	n.a.	n.a.	n.a.	n.a.	-0.9x
Adj Funds From Operations	141,815	203,842	233,383	276,932	327,984	43.7%
Adj FFO/NFD	85.8%	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA/Interest	4.1x	3.9x	5.3x	6.4x	7.1x	-0.2x

(1) Excludes derivatives. Includes employee benefits.

Credit Rating

Credit Rating	
Business Risk Profile	**BBB-**
Industry risk assessment	*BB*
Industry's ESG	*No*
Competitive Positioning	*BBB*
Governance	*BBB-*
Financial Risk Profile	**BBB+**
Cash flow and leverage	*BBB+*
Solvency	*BB+*
Company's ESG	Yes
Anchor Rating	**BBB**
Modifiers	-
Rating	**BBB**

Rating Sensitivity

- **Long-term rating positive factors (↑)**

Sustained net cash position, improved interest coverage (EBITDA/interest ratio above 5.0x on average) and Equity/TFD above 80% on average. All these elements could derive from Maire delivering on its strategic plan and the related forecasts.

- **Long-term rating negative factors (↓)**

Significant increase in indebtedness (NFD/EBITDA ratio above 1.0x), capitalization deterioration (Equity/TFD below 55%), EBITDA/interest ratio below 3.5x, portfolio deterioration.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

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. Principal methodology used in this research are :
    - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings 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 EthiFinance Ratings 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.