ISSUE RATING
Senior Secured Corporate Bond
Emisión:€ 50,000,000
Cupón: 4.5% Class A Notes; 3.5% Class B Notes
Amortización: bullet

ISSUER RATING
Long-term Rating

First rating date: 23/10/2019
Review date: 04/12/2023

Contacts

Senior Associate
Claudia Carolina Berrios Pestana
claudia.berrios@ethifinance.com

Chief Rating Officer
Guillermo Cruz Martínez
guillermo.cruz@ethifinance.com

Rating Action and Rationale

- EthiFinance Ratings affirms Vista Alegre Atlantis, S.A's bond issue rating at "BBB-".
- In a stress scenario, we assess that the group would cover 90% of the value of the bond (total of €50m). This results in a one notch upgrade of the corporate rating of BB+.
- The corporate rating is supported by the group's solid financial profile, including the controlled level of indebtedness (adjusted NFD/EBITDA ~2.5x on average) together with a strong level of financial autonomy (equity/adjusted total financial debt ~85%). In addition, the company enjoys strong competitive advantages and good diversification, within a sector, household durables, that shows favorable fundamentals. On the other hand, the rating is constrained by the still modest size of the company, which affects its overall competitive positioning, and an interest coverage ratio which is expected to slightly decrease considering the current high interest environment (EBITDA/Interest < 6.5x).
- In line with our methodology, the household durables sector presents a medium ESG risk (sector heatmap score between 3.0 and 3.4) given its relatively limited impact on the environment. This assessment has a neutral impact on the sector assessment. The company's ESG policy is considered to be adequate (company ESG score between 1 and 4), also resulting in a neutral impact on the overall rating.

Issuer Description

Vista Alegre Atlantis, S.A. established in 1824, operates as a parent company of a multinational group which is focused on the manufacturing and marketing of porcelain and ceramics, crystal and glass for the tableware, giftware, decorative and hotelware segments. VAA is present in 19 countries across four continents, with around 372 points of sale (43 stores, 78 corners, 250 premium retail shops, and one showroom in New York). The company's turnover in 2022 amounted to €143.3m (+22.5% YoY), with EBITDA of €27.5m and an EBITDA margin of 19.2%. Adjusted NFD/EBITDA stood at 2.8x. In 1H23, the company's turnover amounted to €64.3m, with EBITDA of €14.7m and an EBITDA margin of 22.9%. Adjusted NFD/EBITDA LTM was down to 2.4x.

Fundamentals

Business Profile

Industry Risk Assesement

- **The durables & apparel sector, especially the housewares & specialties subsector, is characterized by good profitability margins with medium volatility, high entry barriers, and stable growth prospects.**

  The Portuguese ceramics homeware sector is highly fragmented, made up by a large number of local companies, although with a high export orientation and medium-to-high profitability margins (EBIT margins between 9% and 13%). The home decoration market is cyclical by nature, showing a medium volatility in terms of profitability margins. Barriers to entry are considered high given the relevant capital and R&D investments required (facilities, highly innovative equipment, qualified staff, etc.), plus the significant know-how, expertise and brand recognition that are necessary to be competitive and to stand out within the industry. The ceramics and porcelain tableware market is considered to have a stable outlook (CAGR of 4.1% from 2023 to 2028) although with some variable drivers (economic conditions, consumer preferences, competition, raw material costs, sustainability concerns, among others).

- **The household durables sector has medium ESG exposure (heatmap score between 3.0 and 3.4).**

  The most relevant impact is the significant amount of waste generated when the product's life cycle ends, creating significant problems of waste management (landfill sites, etc), together with the impact on biodiversity linked to production and transportation of goods. However, this assessment has a neutral impact on the sector assessment.

Company's competitive positioning

- **Despite the small size of VAA relative to its main competitors in the market, the group has a good competitive positioning based on solid competitive advantages and strong diversification (by product, geography and channels).**

  Despite its small scale in terms of revenues, VAA is positioned as one of the leading players in the industry, the largest in Europe and in the Portuguese market. Its positioning is supported by a strong brand recognition within the sector, coupled with a wide variety of differentiated products with presence in almost all tableware and ornamental ceramic divisions (tableware, glassware, cutlery, home decor, giftware, HoReCa, and lighting). In addition, the close proximity to raw material sources (c90% of raw materials are sourced from within an 80km radius of production facilities) together with a highly automatized production process, represent VAA's main differentiators in relation to competitors. This is reinforced by a strong geographical diversification with a presence in 19 countries (none of them representing more than 30% of total revenues), a variety of distribution channels (retail, private label and HoReCa) and a good client portfolio.

- **Neutral ESG policy.**

  In terms of ESG policies, VAA has a neutral ESG exposure (score of 3.20). The adaptation of the group's strategies to ESG trends is limited, increasing the probability of occurrence of a problem that could moderately affect revenues, results, cash flows, asset value and/or reputation in the foreseeable future (up to 5 years). Governance policies are above average (score of 63), marked by a qualified board of directors including the presence of independent members, public disclosure of policies (business code of conduct and corruption policy), and prioritization of ESG issues. However, the lack of reporting of metrics associated to social (score of 25) and environmental matters (score of 13) constrain the total ESG score, even though it is worth noting that the company includes some environmental aspects in their production processes, such as the recycling of materials.

Governance

- **Family ownership structure.**

  The group's ownership structure is essentially family-based. As of June 2023, Grupo Visabeira had increased its ownership of VAA to 91.2% (2021: 88.11%) through the subsidiary company Visabeira Indústria SGPS S.A after it acquired the shares held by Caixa Gral Depósitos, S.A (3.09%). Grupo Visabeira is almost entirely owned by Fernando Campos Nunes, with a 98.57% stake. Although the ownership structure limits the amount of financial support potentially available to VAA in the event of a need arising, it does also mean stability and continuity. Additionally, VAA can potentially benefit from Visabeira´s greater scale and wider product portfolio.

- **Qualified management team and prudent financial policy.**

  Management has been fundamental in leading the company to position as one of the main players of the industry internationally, showing a high degree of expertise and proven capacity (the majority of the management team has been working at VAA since the 1990s). This is also evidenced by the company's financial policy, showing controlled indebtedness levels (NFD/EBITDA below 3.0x) and strong financial autonomy (equity/TFD above 75%).

Financial Profile

Cash-flow and leverage

- **Growing and positive FFO on the back of the increase in EBITDA.**

  The group achieved adjusted EBITDA of €27.5m in 2022 (+21.3% YoY, with EBITDA margin of 19.2%) and is on course to exceed that level in 2023 (1H23 EBITDA of

€14.7m, margin of 22.9%). Performance is benefiting from greater operational efficiency together with the favourable evolution in sales of its own brands (Vista Alegre and Bordallo Pinheiro) with greater profitability margins. VAA's ability to generate increasing cash flow from its operations stands out (FFO/EBITDA of 86.7% in 2022 vs 73.4% in 2021), contributing to positive FCF (€24.3m in 2022).

- **Controlled indebtedness.**

  The group has been able to bring down the debt ratio (adjusted NFD/EBITDA) to 2.8x in 2022, from 3.8x in 2021 and 6.0x in 2020, when turnover and profit were impacted by the Covid pandemic, and 2.4x as of end-June 2023. The company also reports good interest coverage (EBITDA/interest of 6.6x in 2022, 6.8x in 1H23). For years ahead, under a favorable macroeconomic environment, it is expected that indebtedness will remain controlled (adjusted NFD/EBITDA below 2.5x) although with a slight reduction of the interest coverage ratio as the company faces new debt conditions (bond of €50m matures in October 2024, €45m at 4.5% and €5m at 3.5%).

Capitalization

- **Sound financial autonomy.**

  The group continues improving its financing structure, showing strong financial autonomy (equity-to-total adjusted financial debt) of 72.4% at end-2022 (+10.7pps vs end-2021) and 84.6% at June 2023 (further +12.2pps vs 2022). The capitalization of higher results has strengthened the company's equity while the reduction in gross debt has continued (6.0% lower in 2022 and a further 9.2% at June 2023).

Liquidity

- **Good liquidity and a strong refinancing profile, which is relevant given the significant amount of debt that matures in 2024.**

  VAA shows good capacity to meet its commitments in the short term, supported by its ability to generate stable and recurring cash flows from its operations (FFO forecast at €20.0m in 2023) which, added to the cash and cash equivalents available (€27.7m at end-2022), provide a good liquidity cushion towards meeting near-term payment obligations (€18.9m as at December 2022) and investments (estimated at €13.0m). In addition, the company has a good refinancing profile, which is a relevant fact given the significant debt commitments falling due in 2024 (€57.8m) or under any stress scenario.

Modifiers

- **Controversies.**

  The company does not present any controversies.

- **Country Risk**

  No country risk has been identified.

Issue Profile

- **Characteristics.** Total amount of €50m divided into €45m Class A notes (coupon: 4.5%) and €5m Class B notes (coupon: 3.5%). As a security guarantee Vista Alegre Atlantis SGPS, SA (the Issuer) pledged Ria Stone's shares and rights (4,550,000 shares with a nominal value of €1 each, representing 100% of Ria Stone's share capital). Additionally, all future payments due to Ria Stone deriving from its long-term contract with Ikea have been pledged. The guarantees granted under this contract are created jointly and are interconnected, and it is determined that the recoverable amounts are limited to a maximum amount of €60m.
- **Covenants.** As at 30 June 2023, the group complied with all covenants by reporting NFD/EBITDA of 2.31x, equity/equity+TFD of 46.9%, and no dividends were distributed.
- **Recovery.** VAA's financial model has been stress-tested. Under this scenario, the company would allow for a recovery of 90% of the secured bond, a recovery rate which we consider more than adequate, according to VAA's net asset value.

Main Financial Figures

Main financial figures. Thousands of €.	2020	2021	2022	1H 2023[1]	22vs21%
Turnover	110,379	116,989	143,326	64,264	22.5%
EBITDA	16,014	22,699	27,527	14,726	21.3%
EBITDA Margin	14.5%	19.4%	19.2%	22.9%	-0.2pp
EBIT	2,456	9,345	11,333	8,480	21.3%
EBIT Margin	2.2%	8.0%	7.9%	13.2%	-0.1pp
EBT	-2,226	3,574	6,483	6,279	81.4%
Total Assets	229,474	232,216	238,380	245,354	2.7%
Equity	66,395	68,558	75,579	80,238	10.2%
Adjusted Total Financial Debt[2]	113,352	111,094	104,404	94,831	-6.0%
Adjusted Net Financial Debt[2]	95,851	87,034	76,658	75,557	-11.9%
Equity/TFD	58.6%	61.7%	72.4%	84.6%	10.7pp
NFD/EBITDA	6.0x	3.8x	2.8x	2.4x	-1.0x
Funds From Operations	16,952	16,668	23,876	12,718	43.2%
FFO/NFD	17.7%	19.2%	31.1%	33.7%	12.0pp
EBITDA/Interest	3.8x	5.2x	6.6x	6.8x	1.4x

[1]Unaudited accounts.[2]Financial debt adjusted considering non-recourse factoring for last years. [3]EBITDA and FFO LTM (2H 2022 + 1H 2023).

Rating Sensitivity

Factors that may (individually or collectively) impact the rating:

- **Positive factors (↑).**

  A further positive evolution in financial ratios would need to be seen: improvement in debt levels (adjusted NFD/EBITDA <2.5x, FFO/NFD >35%, and EBITDA/interest above 7.0x in average). Increased financial autonomy (equity/adjusted TFD above 90% in average) would also be required. An improvement on the ESG score could also benefit the overall rating.

- **Negative factors (↓).**

  Deterioration of leverage ratios (adjusted NFD/EBITDA above 3.5x, FFO/NFD below 20%, and of coverage ratios EBITDA/interest below 5.0x). Decreased financial autonomy (equity/adjusted TFD below 70%). A deterioration of the ESG score could also negatively affect the overall rating.

Credit Rating

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

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:

- Annual Audit Reports.
- Corporate Website.
- Information published in the Official Bulletins.
- Rating book provided by the Company.

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.

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 Bond Rating Methodology that can be consulted on https://www.ethifinance.com/en/ratings/methodologies and according to the Long-term Corporate Rating scale 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 provided ancillary services to related third parties of the rated entity, but not to the rated entity. However, according to our Conflict of Interest Policy, it does not involve a conflict of interest, since the aggregate sale does not exceed 5% of net turnover.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

Conditions of Use for this document and its content:

For all types of Credit Ratings that ETHIFINANCE RATINGS, S.L. (the "AGENCY") issues, 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.

For the purpose of these Conditions of Use, any client who might have subscribed for a product and/or a service that allows him to be provided with the content of this Document as well as any privileged person who might access the content of this Document via https://www.ethifinance.com/ shall be considered as a User.

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 User agrees to the conditions of Use of this Document and is subject to these provisions since the first time they are provided with this Document no matter how they are provided with 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 consider 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 bare 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, noncorresponding 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.

Information on natural persons that may appear in this document is solely and exclusively relevant to their business or business activities without reference to the sphere of their private life and should thus be considered. The personal data that may appear in this document is treated in accordance with Regulation (EU) 679/2016, on the protection of natural persons with regard to the processing of personal data and the free movement of such data and other applicable legislation. Those interested parties who wish to exercise the rights that assist them can find more information in the link: https://www.ethifinance.com/ in the Privacy Policy page or contact our Data Protection Officer in the mail dpo@ethifinance.com.

C/ Velázquez nº18, 3º derecha, 28001 - Madrid - España.

EthiFinance Ratings

BB+ ISSUER RATING

Long-term Rating

Outlook: Positive

First rating date: 23/10/2019
Review date: 04/12/2023

Contacts

Senior Associate
Claudia Carolina Berrios Pestana
claudia.berrios@ethifinance.com

Chief Rating Officer
Guillermo Cruz Martínez
guillermo.cruz@ethifinance.com

Rating Action and Rationale

- EthiFinance Ratings affirms Vista Alegre Atlantis, S.A's "BB+" rating, changing its outlook from Stable to Positive.
- The corporate rating is supported by the group's solid financial profile, including the controlled level of indebtedness (adjusted NFD/EBITDA ~2.5x on average) together with a strong level of financial autonomy (equity/adjusted total financial debt ~85%). In addition, the company enjoys strong competitive advantages and good diversification, within a sector, household durables, that shows favorable fundamentals.
- On the other hand, the rating is constrained by the still modest size of the company, which affects its overall competitive positioning, and an interest coverage ratio which is expected to slightly decrease considering the current high interest environment (EBITDA/Interest < 6.5x).
- The change in the outlook is based on the positive evolution of all financial metrics in 2022 and as of September 2023. This has improved the outlook for the company in the coming years, with the likely achievement of higher returns, keeping the debt ratio (adjusted NFD/EBITDA) under control and facilitating a high level of financial autonomy (equity/adjusted TFD). Although we understand that future performance is strongly linked to macroeconomic trends, we consider that if the current conditions are maintained the result could be a rating upgrade in the short-to-medium term.
- In line with our methodology, the household durables sector presents a medium ESG risk (sector heatmap score between 3.0 and 3.4) given its relatively limited impact on the environment. This assessment has a neutral impact on the sector assessment. The company's ESG policy is considered to be adequate (company ESG score between 1 and 4), also resulting in a neutral impact on the overall rating.

Issuer Description

Vista Alegre Atlantis, S.A. established in 1824, operates as a parent company of a multinational group which is focused on the manufacturing and marketing of porcelain and ceramics, crystal and glass for the tableware, giftware, decorative and hotelware segments. VAA is present in 19 countries across four continents, with around 372 points of sale (43 stores, 78 corners, 250 premium retail shops, and one showroom in New York). The company's turnover in 2022 amounted to €143.3m (+22.5% YoY), with EBITDA of €27.5m and an EBITDA margin of 19.2%. Adjusted NFD/EBITDA stood at 2.8x. In 1H23, the company's turnover amounted to €64.3m, with EBITDA of €14.7m and an EBITDA margin of 22.9%. Adjusted NFD/EBITDA LTM was down to 2.4x.

Fundamentals

Business Profile

Industry Risk Assesment

- **The durables & apparel sector, especially the housewares & specialties subsector, is characterized by good profitability margins with medium volatility, high entry barriers, and stable growth prospects.**

  The Portuguese ceramics homeware sector is highly fragmented, made up by a large number of local companies, although with a high export orientation and medium-to-high profitability margins (EBIT margins between 9% and 13%). The home decoration market is cyclical by nature, showing a medium volatility in terms of profitability margins. Barriers to entry are considered high given the relevant capital and R&D investments required (facilities, highly innovative equipment, qualified staff, etc.), plus the significant know-how, expertise and brand recognition that are necessary to be competitive and to stand out within the industry. The ceramics and porcelain tableware market is considered to have a stable outlook (CAGR of 4.1% from 2023 to 2028) although with some variable drivers (economic conditions, consumer preferences, competition, raw material costs, sustainability concerns, among others).

- **The household durables sector has medium ESG exposure (heatmap score between 3.0 and 3.4).**

  The most relevant impact is the significant amount of waste generated when the product's life cycle ends, creating significant problems of waste management (landfill sites, etc), together with the impact on biodiversity linked to production and transportation of goods. However, this assessment has a neutral impact on the sector assessment.

Company's competitive positioning

- **Despite the small size of VAA relative to its main competitors in the market, the group has a good competitive positioning based on solid competitive advantages and strong diversification (by product, geography and channels).**

  Despite its small scale in terms of revenues, VAA is positioned as one of the leading players in the industry, the largest in Europe and in the Portuguese market. Its positioning is supported by a strong brand recognition within the sector, coupled with a wide variety of differentiated products with presence in almost all tableware and ornamental ceramic divisions (tableware, glassware, cutlery, home decor, giftware, HoReCa, and lighting). In addition, the close proximity to raw material sources (c90% of raw materials are sourced from within an 80km radius of production facilities) together with a highly automatized production process, represent VAA's main differentiators in relation to competitors. This is reinforced by a strong geographical diversification with a presence in 19 countries (none of them representing more than 30% of total revenues), a variety of distribution channels (retail, private label and HoReCa) and a good client portfolio.

- **Neutral ESG policy.**

  In terms of ESG policies, VAA has a neutral ESG exposure (score of 3.20). The adaptation of the group's strategies to ESG trends is limited, increasing the probability of occurrence of a problem that could moderately affect revenues, results, cash flows, asset value and/or reputation in the foreseeable future (up to 5 years). Governance policies are above average (score of 63), marked by a qualified board of directors including the presence of independent members, public disclosure of policies (business code of conduct and corruption policy), and prioritization of ESG issues. However, the lack of reporting of metrics associated to social (score of 25) and environmental matters (score of 13) constrain the total ESG score, even though it is worth noting that the company includes some environmental aspects in their production processes, such as the recycling of materials.

Governance

- **Family ownership structure.**

  The group's ownership structure is essentially family-based. As of June 2023, Grupo Visabeira had increased its ownership of VAA to 91.2% (2021: 88.11%) through the subsidiary company Visabeira Indústria SGPS S.A after it acquired the shares held by Caixa Gral Depósitos, S.A (3.09%). Grupo Visabeira is almost entirely owned by Fernando Campos Nunes, with a 98.57% stake. Although the ownership structure limits the amount of financial support potentially available to VAA in the event of a need arising, it does also mean stability and continuity. Additionally, VAA can potentially benefit from Visabeira´s greater scale and wider product portfolio.

- **Qualified management team and prudent financial policy.**

  Management has been fundamental in leading the company to position as one of the main players of the industry internationally, showing a high degree of expertise and proven capacity (the majority of the management team has been working at VAA since the 1990s). This is also evidenced by the company's financial policy, showing controlled indebtedness levels (NFD/EBITDA below 3.0x) and strong financial autonomy (equity/TFD above 75%).

Financial Profile

Cash-flow and leverage

- **Growing and positive FFO on the back of the increase in EBITDA.**

  The group achieved adjusted EBITDA of €27.5m in 2022 (+21.3% YoY, with EBITDA margin of 19.2%) and is on course to exceed that level in 2023 (1H23 EBITDA of €14.7m, margin of 22.9%). Performance is benefiting from greater operational efficiency together with the favourable evolution in sales of its own brands (Vista Alegre and Bordallo Pinheiro) with greater profitability margins. VAA's ability to generate increasing cash flow from its operations stands out (FFO/EBITDA of 86.7% in 2022 vs 73.4% in 2021), contributing to positive FCF (€24.3m in 2022).

- **Controlled indebtedness.**

  The group has been able to bring down the debt ratio (adjusted NFD/EBITDA) to 2.8x in 2022, from 3.8x in 2021 and 6.0x in 2020, when turnover and profit were impacted by the Covid pandemic, and 2.4x as of end-June 2023. The company also reports good interest coverage (EBITDA/interest of 6.6x in 2022, 6.8x in 1H23). For years ahead, under a favorable macroeconomic environment, it is expected that indebtedness will remain controlled (adjusted NFD/EBITDA below 2.5x) although with a slight reduction of the interest coverage ratio as the company faces new debt conditions (bond of €50m matures in October 2024, €45m at 4.5% and €5m at 3.5%).

Capitalization

- **Sound financial autonomy.**

  The group continues improving its financing structure, showing strong financial autonomy (equity-to-total adjusted financial debt) of 72.4% at end-2022 (+10.7pps vs end-2021) and 84.6% at June 2023 (further +12.2pps vs 2022). The capitalization of higher results has strengthened the company's equity while the reduction in gross debt has continued (6.0% lower in 2022 and a further 9.2% at June 2023).

Liquidity

- **Good liquidity and a strong refinancing profile, which is relevant given the significant amount of debt that matures in 2024.**

  VAA shows good capacity to meet its commitments in the short term, supported by its ability to generate stable and recurring cash flows from its operations (FFO forecast at €20.0m in 2023) which, added to the cash and cash equivalents available (€27.7m at end-2022), provide a good liquidity cushion towards meeting near-term payment obligations (€18.9m as at December 2022) and investments (estimated at €13.0m). In addition, the company has a good refinancing profile, which is a relevant fact given the significant debt commitments falling due in 2024 (€57.8m) or under any stress scenario.

Modifiers

Controversies.

- **The company does not present any controversies.**

Country Risk

- **No country risk has been identified.**

Main Financial Figures

Main financial figures. Thousands of €.	2020	2021	2022	1H 2023[1]	22vs21%
Turnover	110,379	116,989	143,326	64,264	22.5%
EBITDA	16,014	22,699	27,527	14,726	21.3%
EBITDA Margin	14.5%	19.4%	19.2%	22.9%	-0.2pp
EBIT	2,456	9,345	11,333	8,480	21.3%
EBIT Margin	2.2%	8.0%	7.9%	13.2%	-0.1pp
EBT	-2,226	3,574	6,483	6,279	81.4%
Total Assets	229,474	232,216	238,380	245,354	2.7%
Equity	66,395	68,558	75,579	80,238	10.2%
Adjusted Total Financial Debt[2]	113,352	111,094	104,404	94,831	-6.0%
Adjusted Net Financial Debt[2]	95,851	87,034	76,658	75,557	-11.9%
Equity/TFD	58.6%	61.7%	72.4%	84.6%	10.7pp
NFD/EBITDA	6.0x	3.8x	2.8x	2.4x	-1.0x
Funds From Operations	16,952	16,668	23,876	12,718	43.2%
FFO/NFD	17.7%	19.2%	31.1%	33.7%	12.0pp
EBITDA/Interest	3.8x	5.2x	6.6x	6.8x	1.4x

[1]Unaudited accounts.[2]Financial debt adjusted considering non-recourse factoring for last years. [3]EBITDA and FFO LTM (2H 2022 + 1H 2023).

Rating Sensitivity

Factors that may (individually or collectively) impact the rating:

Positive factors (↑).

- A further positive evolution in financial ratios would need to be seen: improvement in debt levels (adjusted NFD/EBITDA <2.5x, FFO/NFD >35%, and EBITDA/interest above 7.0x in average). Increased financial autonomy (equity/adjusted TFD above 90% in average) would also be required. An improvement on the ESG score could also benefit the overall rating.

Negative factors (↓).

- Deterioration of leverage ratios (adjusted NFD/EBITDA above 3.5x, FFO/NFD below 20%, and of coverage ratios EBITDA/interest below 5.0x). Decreased financial autonomy (equity/adjusted TFD below 70%). A deterioration of the ESG score could also negatively affect the overall rating.

Credit Rating

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

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:

- Annual Audit Reports.
- Corporate Website.
- Information published in the Official Bulletins.
- Rating book provided by the Company.

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.

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 Corporate Rating Methodology that can be consulted on https://www.ethifinance.com/en/ratings/methodologies and according to the Long-term Corporate Rating scale 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 provided ancillary services to related third parties of the rated entity, but not to the rated entity. However, according to our Conflict of Interest Policy, it does not involve a conflict of interest, since the aggregate sale does not exceed 5% of net turnover.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

C/ Velázquez nº18, 3º derecha, 28001 - Madrid - España.