Rating Report
Acciona, S.A.

DBRS Morningstar
September 2023

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Ratings

Issuer	Debt	Rating Action	Rating	Trend
Acciona, S.A.	Issuer Rating	Confirmed	BBB	Stable
Acciona, S.A.	Short-Term Issuer Rating	Confirmed	R-2 (middle)	Stable
Acciona Financiación Filiales, S.A.	Euro Medium Term Notes	Confirmed	BBB	Stable

On 8 August 2023, DBRS Ratings GmbH (DBRS Morningstar) confirmed both the Issuer Rating and the Short-Term Issuer Rating on Acciona, S.A. (Acciona or the Group) at BBB and R-2 (middle), respectively. DBRS Morningstar also confirmed its rating on Acciona Financiación Filiales, S.A.'s (AFF) existing Euro Medium Term Notes (EMTN) programme at BBB. The trends on all ratings remain Stable.

Acciona's ratings are largely based on Corporación Acciona Energías Renovables S.A.'s (CAER) ratings and on a rating assessment of Acciona's Infrastructure Division, adjusted for structural subordination, leverage at the nonenergy business level, and potential mitigant factors. Over the forecast horizon to 2025, excluding Acciona's other activities, CAER is expected to account for approximately 75% of Acciona's aggregated EBITDA, with the remaining 25% mainly generated by the Infrastructure Division.

The rating confirmations and Stable trends consider DBRS Morningstar's view that (1) Acciona retains a 82.632% ownership in CAER (currently rated BBB (high) with a Stable trend), and is committed not to lower its stake in CAER to below 70%; (2) Acciona continues to benefit from substantial EBITDA and cash flow contributions from CAER post-IPO; (3) the credit quality of the Group's Infrastructure Division, in particular construction activities, is weaker than Acciona Group's regulated and non-regulated generation businesses and limits the Group's ratings; (4) credit metrics at Acciona remain solid and continue to support the BBB ratings; (5) Acciona's ratings are one notch lower than CAER's ratings and reflect structural subordination of Acciona's debt compared with CAER's debt; (6) the ratio of Acciona's modified non-consolidated debt with respect to its modified non-consolidated capital structure will decrease to the 20%–30% level over the forecast horizon, not requiring further negative adjustments; and (7) the liquidity position of the Group is considered to be moderately positive, with Acciona having cash and cash equivalents of approximately EUR 3.1 billion as of 30 June 2023, availability under its banking lines (EUR 3.6 billion as of June 2023), and access to the debt and equity capital markets.

Given Acciona's current capital expenditure (capex) plan, project development risk, and financing strategy at the CAER level, as well as the inflationary pressure and the operational risk in the Infrastructure Division, a positive rating action in the medium term is considered very unlikely.

A negative rating action could occur as a consequence of (1) a change in business mix that materially increases the EBITDA contribution from the construction Division; (2) a slower-than-expected recovery in the financial performance of nonenergy activities by 2025; (3) a change in CAER's ownership to below the 70% level; (4) significant project delays and cost overruns associated with CAER's aggressive expansion plan; (5) a decline in credit metrics to below DBRS Morningstar's required levels; or (6) a deterioration in the Group's liquidity position, including reduced access to the bank, debt, and equity capital markets.

Acciona's ratings are supported by the (1) stable cash flows from regulated generation assets in Spain; (2) long-term contracts for its international generation assets; (3) strong construction, operational, and technical expertise; (4) geographic and business diversification; (5) stable cash flow from service activities in water, concessions, and other services; (6) substantial infrastructure backlog for growth. Acciona's ratings are constrained by the Group's (1) capex intensity and project development risk; (2) exposure of nonregulated generation to price volatility in the long term; (3) exposure of construction activities to potential cost overruns and long lead times; (4) operational risk; (5) currency and interest risk; and (6) intense competition.

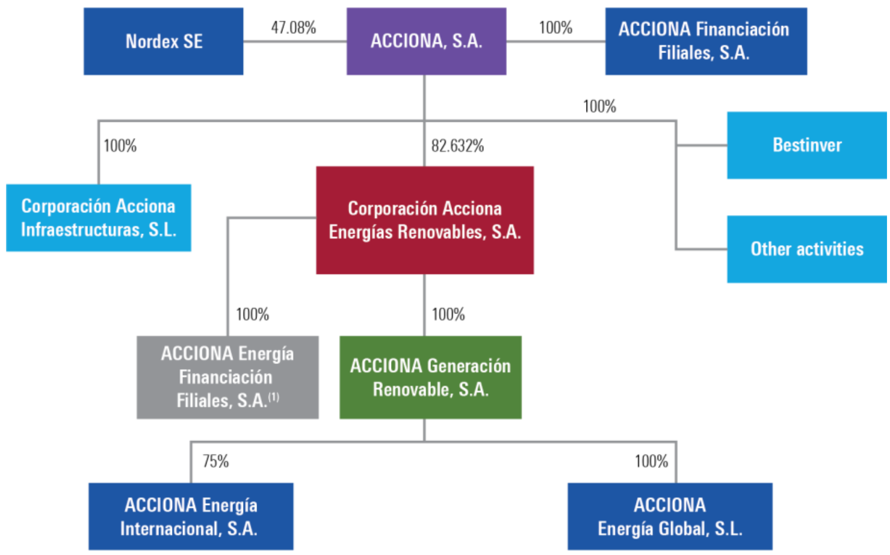
Financial Information

Acciona, S.A.	**LTM 30 June**	**31 Dec.**	**31 Dec.**	**31 Dec.**	**31 Dec.**
Consolidated Key Credit Metrics[1]	**2023**	**2022**	**2021**	**2020**	**2019**
Cash flow-to-net debt (%)[2, 3]	23.8	25.8	25.1	21.7	20.5
Net debt-to-EBITDA (times)[3, 4]	3.7	2.6	3.0	4.3	3.8
Adjusted EBITDA gross interest coverage (times)[4, 5]	5.4	8.1	6.3	4.5	5.4
Adjusted EBIT gross interest coverage (times)[5, 6]	3.2	5.5	3.8	2.3	3.2
Adjusted EBITDA margin (%)[4]	13.6	16.9	17.1	15.6	18.3
Net debt-to-capital (%)[3]	51.2	46.1	44.7	56.8	60.0

1. DBRS Morningstar harmonised its calculation of the key credit metrics with that of Corporación Acciona Energías Renovables, S.A.
2. Operating cash flow, excluding working capital movements.
3. Net debt is calculated as gross debt (including lease adjustments and nonrecourse debt) minus nonoperating cash.
4. EBITDA and EBIT include results from entities accounted with the equity method.
5. Interest expense includes capitalised interests.

Issuer Description

Acciona is a global company that owns and operates three main business lines: (1) Energy, which is carried out through CAER (82.632% owned) and includes renewable generation assets in Spain and internationally; (2) Infrastructure, which is carried out through Corporación Acciona Infraestructuras, S.L. (CAI; 100% owned) and consists of the construction business, concessions, water, and services; and (3) Other Activities, which are carried out through wholly owned subsidiaries providing services such as asset management, real estate development, and electric mobility. Other activities also include the Group's stake in wind turbines manufacturer Nordex SE (Nordex), which was increased to 47.08% from 40.97% resulting in its full consolidation from April 2023.



Source: Acciona, DBRS Morningstar.

AFF is the Group's main financing vehicle and borrower of a EUR 800 million syndicated loan facility, as well as the issuer of an up to EUR 3.0 billion EMTN programme (increased from up to EUR 2.0 billion in 2022) and an up to EUR 1.5 billion Euro Commercial Paper (ECP) programme (increased from up to EUR 1.0 billion in 2022).. Acciona unconditionally and irrevocably guarantees all AFF debt. Acciona Energia Financiacion Filiales S.A. (AEFF) was created separately to support CAER's initial public offering (IPO) and is CAER's main financing vehicle. Apart from continuing to operate through its EUR 2.5 billion syndicated loan facility, its up to EUR 3.0 billion EMTN programme and an up to EUR 2.0 billion ECP programme, signed several financial agreements in 2022, including its first USPP for USD 200 million and a EUR 450 million ESG credit line and three EUR 500 million bonds under the EMTN programme. In addition, in line with the increasing activity in Australia, AEFF, through its Australian subsidiaries, signed a EUR 400 million green syndicated loan with a three-year term and an AUD 1,098 million green loan with a term of approximately 16 years, backed by CESCE under its new green policy, to build the MacIntyre wind farm. Following the IPO, CAER operates independently from its parent company from a financial point of view. CAER unconditionally and irrevocably guarantees all AEFF debt. All debt issued by Acciona and AFF will be nonrecourse to CAER and its subsidiaries and, similarly, all debt issued by AEFF will be nonrecourse to Acciona and AFF.

Rating Considerations

Strengths

1. Stable cash flow from regulated generation assets and long-term agreements

Acciona´s business risk profile is partially supported by CAER's stable cash flows from regulated generation assets mainly in the Spanish market. The stability of the regulatory regime in Spain, which has not suffered substantial changes since 2014, provides a reasonable return on capital investment and floor-price protection against volatility in Spanish wholesale power prices. However, the very high generation prices seen during 2022, while boosting earnings and cash flow generation, have accelerated the payback of the regulatory net asset value associated with CAER's regulated activities in Spain. DBRS Morningstar anticipates CAER's EBITDA contribution from regulated activities to moderate over the short term, before likely declining below 20% by F2024. In addition, in line with CAER's strategy, DBRS Morningstar expects the Group to continue increasing the contribution from medium- and long-term hedging through financial forwards and end-user contracts for regulated energy that no longer benefits from regulatory hedges to avoid higher merchant exposure during the lower price environment expected for the coming years.

2. International generation assets under long-term contracts

Acciona´s business risk profile is also supported by CAER's long-term contracts, which significantly mitigate the risk associated with power price volatility. During the last years, these contracts have been generally used for the international nonregulated generation assets, accounting for approximately 54% of CAER's international generation revenues in 2022, and are expected to reach 65% by 2023 and 2024. Such contracts have an average remaining duration of approximately nine years with solid credit counterparties, mostly utilities and governmental organisations in 17 countries. Related to the Spanish market, despite nonregulated output having been mainly sold through short-term contracts of around 12 months, CAER has taken advantage of the increasing market appetite for longer contract terms. In 2022, the Group signed 2.3 TWh of long-term supply contracts starting in 2023–24, mostly with a duration of 10 years, of which 53% was for contracts in Spain. For 2023 the Group is expected to add 600 GWh in the domestic market.

3. Strong construction, operational, and technical expertise

Acciona is a strong global player in its construction businesses, particularly in its heavy civil works, and is also a leading provider of infrastructure maintenance in concessions and water services. The Group’s in-depth technical expertise and experience in the construction of roads, bridges, railways, tunnels, ports, and water works provide it with competitive advantages in these high-barrier areas. Over the last 10 years, Acciona has completed more than 5,300 kilometres (km) of roads, 1,140 viaducts, and 600 bridges. It also completed more than 1,700 km of highspeed railway lines and more than 150 km of tunnels as well as more than 50 ports and more than 50 dams in 12 countries.

4. Geographic and business diversification

Acciona’s operations are well diversified in terms of geography and businesses. In particular, through CAER, the Group is a pure-play leader in the renewable energy sector with a fully integrated business model and high diversification across geographies, regulations, and technologies, which include onshore wind, solar photovoltaic (PV), hydraulic, concentrated solar power, biomass, and storage. Most of CAER’s assets are in European Union and OECD countries with low to modest political risk. The most important geographical areas for the Infrastructure business are Australia and South East Asia (28% of total backlog at the end of June 2023), LATAM (31%), Spain (19%) and EMEA (17%). Future expansion in the 2023–25 period will be largely in the U.S., Australia, and Spain, among other countries. The Group's Infrastructure Division mainly includes activities in construction, water, and concessions (roads, rail, ports, and hospitals). The Group's Other Activities include asset management/brokerage, electric mobility (motorbyke sharing & manufacturing of motorbykes and nanocars), and property development.

5. Stable cash flow from service activities in water, concessions, and other services

A significant portion of revenues generated in water, concessions, and other services are from contracts with cost-plus margins. Revenues from concessions are under fixed payments with no or minimal exposure to demand risk. Contracts are long term, between 20 and 30 years (more than 25 years on average), reducing the frequency of recontracting risk. Cost pass-through contracts partially mitigate the exposure to rising operating costs, which supports cash flow stability.

6. Substantial infrastructure backlog for growth
The Group has good future cash flow growth prospects with a backlog of approximately EUR 23.0 billion as of June 2023, the majority of which is in engineering, procurement, and construction projects. Recent projects awards include the Western Harbour Tunnel in Sydney for EUR 2,746 million, the North-South railway line in the Philippines for a total of EUR 280 million and the perimeter walls of the Tranque de Talabre reservoir in Chile for EUR 245 million. This large backlog indicates solid demand for Acciona's services and its future construction activities.

Challenges
1. Capex intensity and project development risk
Acciona, through CAER, has an aggressive expansion plan to increase its total installed capacity to 20.0 GW by 2027, initially expected by 2025, from 10.7 GW in 2020. This expansion plan requires substantial capex and external funding over the next few years and entails a certain degree of project development risk. CAER's total capex is expected to reach EUR 1.8 billion for 2023 and 1.2 billion in both 2024 and 2025. DBRS Morningstar expects that the Group will continue with the strong liquidity position and wide range of funding sources to enable it to execute on its growth plan. DBRS Morningstar notes that the Group could be subject to project development risks, such as project delays and cost overruns, and expects strong monitoring of that risk.

2. Nonregulated generation assets are exposed to long-term price volatility
Until 2021, approximately 22% of the CAER's revenues were uncontracted/nonregulated, half of which were covered by hedges and the other half exposed to merchant power prices. In 2022, the CAER slightly increased its merchant exposure, taking advantage of the high commodity price environment; uncontracted/nonregulated revenues represented 45.8% of total revenues, of which 16.9% were merchant. For the next few years, given the fall in electricity prices, CAER will reduce its merchant exposure with long-term agreements and hedges. The Group's long-term strategy remains an 80% target of long-term contracted production. In general, CAER manages this risk by implementing substantial hedges, mainly forward and short-term contracts; however, the risk remains when hedges and short-term contracts expire and the power prices in the new hedges and short-term contracts are lower. Generally, CAER's short-term contracts are around 12 months, with some contracts as long as 36 months. In the future, the nonregulated generation industry in Spain is expected to engage in longer contracts with industrial and commercial customers, which could mitigate CAER's exposure to long-term price volatility. CAER has already been replacing a portion of maturing regulated volumes in Spain with 10-year power purchase agreement (PPA) contracts.

3. Exposure of construction activities to potential cost overruns and long lead times
In general, estimating the costs of complex projects with long lead times is difficult and lengthy project delays could be costly. Management has put in place systematic risk management and a disciplined project selection process to mitigate these risks, including cost pass-through contracts, unitary price contracts (no volume risk), and conditional contracts with the ability to negotiate price at a later stage. However, challenges remain with respect to the overall change in economic

conditions, project financing, and the counterparties' credit quality. Despite the Group increasing collaborative contracts in the Infrastructure area to mitigate the high inflation and the increasing raw material cost, there is still a high percentage of projects with fixed-price contracts exposed to potential cost overruns.

4. Operational risk

Despite a strong track record, Acciona is subject to operational risks, such as unplanned outages and operational disruptions both in its Energy and Infrastructure Divisions. Currently, the Group has maintained a solid track record of operational efficiency and reliability. Nevertheless, any lengthy disruptions and unplanned outages in the future would negatively affect Acciona's credit metrics.

5. Currency and interest risk

As a result of Acciona's international operations, a significant part of revenues is generated outside the euro and U.S. dollar currency markets, potentially leading to currency fluctuation risk. Furthermore, the Group's bank borrowings, particularly short-term borrowings, are subject to the risk of rising interest rates. Interest rate risk is particularly material to the funding of infrastructure projects, concession contracts, and the construction of wind farms or solar plants. The Group manages these risks through hedging for currency and interest rates, increasing debt-borrowing terms, and maintaining significant liquidity. While hedging is effective for a certain time, it only helps to reduce but not eliminate currency and interest rate risks.

6. Intense competition

Most of the Group's construction, concessions, services, and nonregulated power renewable generation operations are highly competitive. Margins in the construction business are generally thin. Acciona must maintain and rely on its financial strength, operational and construction reputation, technological expertise, and experience as well as knowledge of local laws and regulations to compete.

Earnings and Outlook

Income Statements

	LTM 30 June	**Year ended 31 December**			
(EUR millions)	**2023**	**2022**	**2021**	**2020**	**2019**
Revenues	14,158	12,211	8,667	7,271	7,875
Cost of goods sold	-4,084	-3,411	-1,870	-2,023	-2,005
Gross margin	**10,074**	**8,800**	**6,797**	**5,248**	**5,870**
Selling, general & administrative	-8,339	-6,891	-5,408	-4,198	-4,514
Results from equity-accounted entities	193	159	94	82	81
EBITDA	**1,928**	**2,068**	**1,483**	**1,133**	**1,437**
Depreciation	-796	-651	-587	-557	-586
EBIT	**1,132**	**1,417**	**896**	**576**	**852**
Financial income	135	47	55	37	33
Interest expense	-354	-256	-235	-254	-265
Other income/expenses	202	-339	-141	158	-75
Earnings before taxes	**1,115**	**869**	**575**	**517**	**545**
Tax expense	-295	-254	-171	-100	-147
Minority interest	-113	-174	-72	-30	-46
Net income	**707**	**441**	**332**	**387**	**352**

Summary

- In 2022, Acciona reported strong growth across all profit lines mainly thanks to the generalised environment of high energy prices, good execution of the infrastructure portfolio, adequate commercial and risk management, and stable financial costs. The Group's results for the last 12 months (LTM) ended 30 June 2023 were also positive.
- In 2022, the Group's revenues (including other revenue) increased by 40.9% to EUR 12,211 million. By business area, Energy and Infrastructure revenues rose by 76.0% and 23.5%, respectively. Revenues from Other Activities increased by 12.1%, with a higher contribution from Property Development (+30.5%) and a notable performance in airport sales and Silence, the electric vehicle manufacturer with 12,826 units sold in 2022 (43% more than in 2021). However, Bestinver's revenues dropped by 21.0% from a decrease in average assets under management (AUM). The LTM revenues ended 30 June 2023 increased to EUR 14,158 million, mainly driven by the significant growth in CAER as a result of the high commodity price environment across the Group's markets.
- In 2022, the Group's EBITDA, including the contribution of assets consolidated by the equity method whose activity is similar to that of the Group, increased by 39.5% to EUR 2,068 million.
    - The Energy Division experienced 52.2% growth in EBITDA to EUR 1,653 million because of high energy prices, mainly in Spain. This growth mitigated the 2.6% fall in total output as the generally low renewable energy resource (particularly hydro) and to curtailments and certain assets with low availability following technical incidents. In Spain, profitability was affected negatively because of the Iberian mechanism adjusting wholesale electricity (i.e., the gas cap), which came into force on 14 June 2022 and had a depressing effect on wholesale prices during the second half of the year. The International fleet captured lower prices in Texas and Chile, while Mexico and Australia improved.
    - The Infrastructure Division experienced a 14.2% improvement in EBITDA to EUR 369 million as a result of increasing production and higher margin in the international construction business.
    - Related to Other Activities, EBITDA decreased by 53.4% in the Property Development activity (EUR 13 million) and by 30.4% in Bestinver (EUR 47 million), with AUM reaching EUR 5,929 million as of December 2022 (EUR 7,078 million in 2021).
    - Related to Other Activities, EBITDA decreased by 53.4% in the Property Development activity (EUR 13 million) and by 30.4% in Bestinver (EUR 47 million), with AUM reaching EUR 5,929 million as of December 2022 (7,078 million in 2021).
- In 2022, interest expenses (including capitalised interests) slightly increased by 9.1% to EUR 256 million and to EUR 354 million during the LTM ended 30 June 2023 as a consequence of the increasing debt and also interest rates.
- At the end of 2022, net income increased by 32.8% to EUR 441 million despite the impairment of the energy assets in Ukraine (EUR 35 million) and the negative contribution from Nordex of EUR 194 million. The net income in the LTM ended 30 June 2023 increased to EUR 707 million.

Outlook

- DBRS Morningstar notes that earnings generation in the Energy Division will be affected by the lower electricity prices observed during the first half of 2023 compared with 2022, reducing revenues, EBITDA, and EBT by the end of 2023. These results will be also affected by the update to remuneration parameters applicable in Spain in the 2023–25 regulatory semi-period and the increasing interest rates. While nonregulated power generation in Spain and internationally is protected by long-term contracts and the use of hedges, regulated power generation in Spain is subject to a banding mechanism, which was updated last June 2023, resulting in a lower EBITDA for the next three years.
- At the end of June 2023, the total Infrastructure backlog increased by 4.3% to EUR 22,964 million (EUR 31,733 million including equity accounted projects) compared with December 2022, of which 90.7% is related to the construction and water business, both reaching new all-time highs. New projects worth EUR 3,908 million were awarded during the first half of the year. Of that amount, EUR 3,819 million belongs to construction and water projects, including the NorthSouth Commuter Railway Southline in the Philippines (EUR 280 million) and the perimeter walls of the Tranque de Talabre reservoir in Chile (EUR 245 million). The solid backlog provides Acciona with a certain degree of earnings and cash flow visibility.
- DBRS Morningstar notes that the Group is developing its plan for growth, mainly in the energy business. Although it will contribute rising revenues and EBITDA thanks to the increasing installed capacity, supposes a high level of investments, with approximately EUR 1.8 billion of expected capex for 2023 and EUR 1.2 billion for 2024 and 2025.
- However, DBRS Morningstar expects Acciona to continue operating with a strong liquidity position, which could help lower the amount of debt to be raised and enable the Group to maintain adequate financial leverage according to its investment-grade category.

DBRS Morningstar also expects that the Group will continue in the energy business maintaining its effective price hedging policy; managing long-term contracts, especially in Spain for those assets where the payback has been completed; and monitoring the proportion of energy sold as merchant. In addition, DBRS Morningstar expects the Group to continue increasing the Infrastructure backlog and collaborative contracts with its customers to avoid profitability deterioration.

Cash Flow Profile

Cash Flow Statement

	LTM 30 June	Year ended 31 December			
(EUR millions)	2023	2022	2021	2020	2019
Net income	707	441	332	387	352
Depreciation and amortisation	796	651	587	557	586
Other noncash items	211	302	209	117	186
Cash flow from operations	**1,714**	**1,394**	**1,128**	**1,061**	**1,123**
Capex	-2,874	-2,195	-948	-906	-1,316
Dividend	-282	-253	-223	-116	-209
Free cash flow (before WC changes)	**-1,442**	**-1,054**	**-43**	**40**	**-403**
Other items from operating activities	-397	119	-215	-287	-101
Change in working capital	-210	135	-340	193	-306
Net free cash flow	**-2,049**	**-800**	**-598**	**-54**	**-809**
Acquisitions	-281	-244	-79	-154	-28
Dispositions	32	98	175	364	140
Investments and other	210	397	-234	184	236

(EUR millions)	LTM 30 June 2023	Year ended 31 December 2022	2021	2020	2019
Cash flow before financing	**-2,088**	**-549**	**-736**	**340**	**-462**
Net equity change	0	-1	-1	0	0
Net debt change	1,602	715	-614	17	989
Other	692	-123	1,221	-59	-108
Effects of foreign exchange	-61	0	41	-40	12
Change in cash	**145**	**42**	**-89**	**259**	**431**

Summary

- Acciona's cash flow from operations increased by 23.6% to EUR 1,394 million thanks to the strong results of the year. The cash flow from operations in the LTM ended 30 June 2023 stood at EUR 1,714 million.
- Capex in 2022 increased by 131.4% to EUR 2,195 million, reflecting the increasing expenditures on development and growth as part of CAER's aggressive capacity expansion plans. Investments were mainly focused on the Energy business, particularly for projects under construction in Australia (MacIntyre), the U.S. (Red-Tailed Hawk, Fort Bend, High Point, and Union), and Spain (Extremadura and Bolarque), as well as the acquisition of the Cunningham battery energy storage project in the U.S.
- During the first half of 2023, the Group spent most of the expected capex for the year, reaching EUR 2,064 million at the end of June 2023. The Energy business received 75% of this amount (EUR 1,544 million) as a consequence of the increasing pace of the growth plan's implementation, mainly focused on the continuation of the projects mentioned before as well as projects under construction in Spain and Other Americas (San Juan de Marcona, Calabaza, and other projects). Infrastructure's investments reached EUR 116 million with no relevant investment in concessions in H1 2023. The Group invested EUR 302 million in Nordex to increase its stake, and EUR 239 million among Other Activities and real estate inventories.
- Dividends payment was in line with the previous year, reaching EUR 253 million (EUR 223 million in 2021).

Outlook

- DBRS Morningstar expects Acciona's cash flow from operations to slightly decrease in 2023 because of the lower energy price environment compared with 2022. DBRS Morningstar also expects an increasing cash flow from operations in the medium term according to the growth plan and its expansion of installed capacity.
- Acciona, through CAER, is currently developing its aggressive expansion plan announced in 2021 to increase its total installed capacity to 20.0 GW in 2027 (initially planned by 2025) from 10.7 GW in 2020. After some delays suffered in 2021 and 2022 as a consequence of the disruptions in the supply of PV modules to the U.S. market and the more volatile investment environment, the Group expects to reach this capacity by 2026–27.
- Acciona, through CAER, is expected to mainly fund its projects via cash flow from operations and incremental indebtedness. The debt will primarily be in the form of corporate debt that CAER's financing subsidiary, AEFF, will incur in the banking and capital markets with the Group's guarantee that it will then on-lend to project companies.

- In the Infrastructure business, the Group is focusing its growth on sustainable greenfield investments that can provide future steady cash flows, leveraging the Group's technical and financial capabilities. There is an abundant pipeline of more than 75 greenfield projects requiring an investment of more than EUR 83 billion to be tendered in the next few years.
- DBRS Morningstar believes that Acciona's business strategy, risk management policy, and financing strategy will allow it to maintain its solid financial profile and credit metrics over the next two years.

Debt and Liquidity Profile

	LTM 30 June	Year ended 31 December			
(EUR millions)	2023	2022	2021	2020	2019
Capital Structure					
Short-term bank borrowings	944	553	280	711	912
Long-term bank borrowings	3,714	2,624	2,073	3,985	4,600
Short-term CP, debentures, and bonds	1,077	1,139	1,666	1,276	1,054
Long-term CP, debentures, and bonds	3,709	3,101	2,364	886	697
Short-term lease obligations	108	72	68	74	55
Long-term lease obligations	614	439	430	420	347
Gross debt	**10,166**	**7,928**	**6,881**	**7,353**	**7,664**
Cash & cash equivalents	-3,101	-2,675	-2,536	-2,620	-2,347
Operating cash	149	149	150	150	150
Net debt	**7,214**	**5,402**	**4,494**	**4,883**	**5,467**
Total equity	**6,881**	**6,304**	**5,557**	**3,711**	**3,641**
Consolidated Key Credit Metrics[1]					
Cash flow-to-net debt (%)[2, 3]	23.8	25.8	25.1	21.7	20.5
Net debt-to-EBITDA (times)[3, 4]	3.7	2.6	3.0	4.3	3.8
Adjusted EBITDA gross interest coverage (times)[4, 5]	5.4	8.1	6.3	4.5	5.4
Adjusted EBIT gross interest coverage (times)[4, 5]	3.2	5.5	3.8	2.3	3.2
Adjusted EBITDA margin (%)[4]	13.6	16.9	17.1	15.6	18.3
Net debt-to-capital (%)[3]	51.2	46.1	44.7	56.8	60.0

1. DBRS Morningstar harmonised the calculation of the key credit metrics with that of Corporación Acciona Energías Renovables, S.A.
2. Operating cash flow, excluding working capital movements.
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4. EBITDA and EBIT include results from entities accounted with the equity method.
5. Interest expense includes capitalised interests.

Maturity Profile

As at 30 June 2022 (EUR millions)	2023	2024	2025	2026	2027	>2027
Bank and borrowings	490	696	1,188	658	270	1,509
Debentures and other marketable securities	686	386	502	192	648	2,170
Total[1]	**1,175**	**1,082**	**1,690**	**850**	**918**	**3,679**

1. The total excludes leases.

Summary

- In the backdrop of a challenging economic environment caused by the Coronavirus Disease (COVID-19) pandemic, Acciona has been able to maintain a solid financial position and growth capacity consistent with the assigned rating category. This result was possible because of the Group's focus on liquidity and financial flexibility, moderation of investment flows and working capital management, asset rotation, reduction in dividends, and cost efficiency.
- As of 30 June 2022, Acciona's gross debt amounted to EUR 7,963 million. About 91% of gross debt is issued on a corporate basis, while the remaining 9% is on a project finance basis. Approximately 85% of gross debt is denominated in euros, 10% in U.S. dollars, and the remaining 5% in other currencies. Moreover, 44% of debt has a variable interest rate, while 56% has a fixed interest rate. On the same date, taking into account cash and cash equivalents and liquid financial assets and adding back EUR 150 million of cash needed to run the operations, net debt stood at EUR 5,191 million.
- AFF is the Group's main financing vehicle and borrower of a EUR 800 million syndicated loan facility. Also, it is the issuer of an up to EUR 3.0 billion EMTN programme (increased from up to EUR 2.0 billion in 2022) and an up to EUR 1.5 billion ECP programme (increased from up to EUR 1.0 billion in 2022). The EUR 1.0 billion ECP programme under Acciona has been discontinued. Acciona unconditionally and irrevocably guarantees all AFF debt. AEFF was created separately to support CAER's IPO. AEFF is CAER's main financing vehicle, borrower of a EUR 2.5 billion syndicated loan facility, as well as the issuer of an up to EUR 3.0 billion EMTN programme and an up to EUR 2.0 billion ECP programme. CAER unconditionally and irrevocably guarantees all AEFF debt. All debt issued by Acciona and AFF will be nonrecourse to CAER and its subsidiaries and, similarly, all debt issued by AEFF will be nonrecourse to Acciona and AFF.
- DBRS Morningstar considers the Group's liquidity position to be moderately positive. As of 30 June 2023, Acciona had cash and cash equivalents and liquid financial assets of approximately EUR 2.7 billion, availability under its banking lines, and access to debt and equity capital markets. The debt maturity profile is relatively spread, with some concentration in 2025 .

Outlook

- Acciona indicated that, going forward, it will mainly fund its projects through internally generated cash flows and incremental indebtedness, with a commitment to maintain a leverage target below 4.0 times (x) in the medium to long term. Acciona also indicated that, while net debt at CAER's level is expected to increase to support the Group's investments and installed capacity expansion plans, the residual debt in other parts of the business will decrease year over year, with a particular focus on a reduction in the ECP programmes at Acciona and AFF.
- CAER is expected to continue operating independently of Acciona, as it has been doing since the IPO in 2021. CAER has been operating through the use of its EUR 2.5 billion syndicated debt facility and its up to EUR 2.0 billion ECP programme, as well as the up to EUR 3.0 billion EMTN programme issued by AEFF and guaranteed by CAER.
- Nonrecourse project-level debt may be appropriate for certain projects because of their size, currency denomination, geography, or existence of partners. However, Acciona envisages that the share of nonrecourse project debt as a proportion of total gross debt will steadily decrease over time. Equity offerings to fund short- to medium-term capital needs are included.

Other Considerations

- Going forward, Acciona’s ratings will largely be based on a composite assessment of CAER (currently rated BBB (high)/R-2 (high) with Stable trends) and the Group's Infrastructure Division, adjusted for structural subordination, leverage at the non-Energy business level, and potential mitigating factors.
- As both Acciona and CAER have issued material amounts of debt and there is no legally enforceable upstream guarantee from CAER and no other offsetting features, Acciona's debt is structurally subordinated to CAER's debt. The quality of Acciona's cash flow is a direct function of the dividends received and the ability of the Group's subsidiaries to generate them. Based on the presence of structural subordination, DBRS Morningstar applied a one-notch rating differential between Acciona's debt and CAER's debt.
- In certain instances, more than one notch of rating differential may be appropriate depending on the degree of leverage at the holding company level. DBRS Morningstar analysed Acciona's modified consolidated key credit metrics at the non-Energy business level (i.e., excluding CAER business/noncontrolling interests across the forecast horizon). Under DBRS Morningstar's base case scenario, the ratio of the modified consolidated debt/consolidated capital is expected to decrease to about 25% by 2025. Therefore, no further notching adjustment is necessary.
- DBRS Morningstar considers the Group’s regulated activities to be stable. The Group’s nonregulated activities benefit from long-term contracts, although the Group is exposed to some merchant risk partially mitigated by the use of hedges. DBRS Morningstar considers the credit quality of the Group's construction activities to be weaker than its regulated and nonregulated generation activities and a potential limiting/pressuring factor to the Group's ratings. However, the solid order backlog in the Infrastructure division provides good visibility.
- In general, DBRS Morningstar considers Acciona's cash flows to be stable and sustainable over the forecast horizon. The Group's liquidity position is a moderately positive factor in DBRS Morningstar's overall assessment. Consolidated and modified consolidated key credit metrics support the assigned rating category.

Business Profile

1. Energy Division

- Acciona, through CAER, is a pure-play leader in the renewable energy sector with a fully integrated business model and high diversification across geographies and technologies, which include onshore wind, solar PV, hydraulic, concentrated solar power, biomass, and storage.
- CAER is a leading global developer, owner, and operator in renewable generation assets. As of 30 June 2023, the Group owned 12,267 MW of total installed capacity in 16 countries (of which more than half is in Spain). CAER’s renewable generation assets consist of mostly wind, solar PV, and hydro as well as solar thermoelectric and biomass.
- DBRS Morningstar believes that CAER´s business risk is relatively low, reflecting cost-competitiveness and relatively stable cash flow from regulated generation assets in Spain and long-term PPAs with its international generation assets.

Regulated Generation Assets in Spain and Spanish Regulatory Regime

- Under the electricity sector reform that the Spanish government introduced during the 2012–14 period, the regulatory tariff system was replaced with a new remuneration model in 2013 (Law 24/2013 of the Energy Sector). Under this regulatory regime, regulated generation asset owners (such as CAER) are entitled to earn a "reasonable return" on their capital investments, which is based on the average yield of the 10-year Spanish government bond plus a spread. The Royal Decree-Law 9/2013 set this rate at the rate of return of Spanish 10-year government bonds plus 300 basis points. After a reduction in returns on capital investments from the tariff system in 2013, the first regulatory period from 2014 through 2019 provided a relatively stable framework for regulated generation assets.
- Following the six-year regulatory period ended in 2019, the new six-year regulatory period (2020–25) does not present any material changes from a credit perspective. Under the Royal Decree-Law 17/2019, CAER's regulated rate of return (RROR) for renewable energy is reasonable at 7.09% through 2025. In addition, the Royal Decree-Law 17/2019 allows CAER the option to maintain its RROR of 7.398% for the next two regulatory periods from 2020 through 2031, which provides strong visibility of earnings and cash flow for CAER's regulated generation assets in Spain. However, DBRS Morningstar also notes that the Spanish government has launched a series of initiatives aimed at reducing the average electricity bill for consumers (e.g., a gas clawback), including changes to the current Spanish regulatory regime, thus increasing the regulatory risk perception.
- Every three years, there is a review to make adjustments for revenues that are either more or less than the regulated revenues. In order to tackle the economic and social impact of the Russia/Ukraine conflict, an extraordinary review was applied from 1 January 2022. The following 2023–25 period remains unchanged. The review also adjusts regulated revenues to take into account any change in the power price expectations. This adjustment is to ensure that a standard facility will recover its investment costs (operating and capital) that cannot be recovered through electricity sales in the market. CAER is assured to at least earn the floor-protected power price and a fair return on its capital investment.
- Volume risk is very low because revenues are based on regulated output that the regulator designated for each standard facility in the year that the facility is commissioned. The mechanism for price adjustment is based on regulated output and the difference between the regulated caps and floors and the actual prices. Deficits from previous years are recovered by tariffs set by the system administration for each type of market participation. Excess earnings (or earnings shortfalls) will be recorded as a regulatory liability or as a regulatory capital asset, which can be added to regulatory capital every three years to be recovered over the remaining useful life of the asset.

Nonregulated Generation in Spain (Short-Term Contracts/Hedges and PPA agreements)

- Power generation from nonregulated renewable generation assets in Spain is exposed to power price volatility. However, CAER mitigates this risk with short-term hedges and long-term PPA agreements. Most counterparties are corporate clients and large industrial customers and standard bilateral PPAs are of up to 10-year term contracts.

International Generation Assets

- International generation assets are usually covered by long-term PPAs or regulatory feed-in-tariff contracts. The average remaining duration of long-term contracts is approximately nine years. Although these assets are subject to volume and operational risk, long-term contracts significantly reduce risk associated with power-price volatility. The remaining portion of the output is generally sold under short-term contracts and hedges with only a small portion of power output sold into the spot market.
- Long-term contracted international renewable generation assets are expected to continue to grow over the medium term, further diversifying the Group's generation portfolio from a geographical perspective. Counterparties are generally utilities, governmental organisations, and large commercial and industrial customers.

2. Infrastructure Division

- Acciona Infrastructure includes Construction, Concessions, Water, Industrial, and Services. The Group has more than 100 years of experience in the entire value change of infrastructure projects, and it has developed the global expertise and capacity to adapt to and manage risks associated with complex projects. Future growth prospects remain good over the medium term. As at 30 June 2023, backlog for construction, industrial, and water was approximately EUR 23.0 billion.

Construction

- Construction is the largest EBITDA contributor to Infrastructure EBITDA. The construction business generally faces higher risks than Acciona's other businesses because of the nature of capital-intensive projects (related to concessions construction), long lead times, and the difficulty of estimating costs.
- Construction activities cover all phases of the process, from design through construction. Projects include bridges, roads, railways, tunnels, ports, and water and sewage treatment facilities and desalination facilities. Risks are mitigated by sound risk management, a thorough project selection process, cost controls, and management expertise. It is mitigated by the diverse types of projects, such as linear infrastructures and buildings, water treatment, wind farms, and solar plants.
- Acciona is a specialist in high-technology turnkey procurement and construction projects: hydroelectric and solar, thermal generation, substations and transmission networks, and installations. Its current operations are in Canada, Australia, the United Arab Emirates, and Chile. The Group is focused on increasing the number of its renewable energy projects worldwide.

Concessions

- Acciona is one of the leading companies in private development of infrastructure worldwide, both in terms of the number of projects and revenues. The Group currently manages concessions mainly in Spain, Canada, Australia, and Mexico.
- The management of the concession projects is generally under long-term, fee-for-service contracts. Operating and maintenance (O&M) costs are usually calculated as cost plus a margin. Project management includes transport infrastructure (i.e., roads, railways, ports) and social infrastructure (i.e., hospitals and universities).

- Acciona not only manages and maintains concession projects, but is also involved in financing all concession projects (e.g., Fargo-Moorhead-Moorhead canal, North Dakota/Minnesota). Concessions projects are financed through nonrecourse project-specific facilities. Financing is typically long term, mostly through project debt and equity injection or subordinated loans from the owners.

Water

- Acciona is involved in managing the complete water cycle to serve end-users from water collection and water purification to wastewater treatment and return to the environment. Operations are in more than 20 countries.
- Acciona is the world leader in the construction of reverse osmosis desalination and a top 5 in other water projects, such as in potable water and, wastewater treatment. This includes the design and construction of water treatment plants for municipalities and industrial companies.
- Water services contribute to the majority of the EBITDA generated in this segment. Acciona has more than 30 years of experience managing an integrated, complete water cycle. Water services include initial water collection, water treatment, water purification, and return to the environment after use. It also operates concessions for services related to the entire water cycle. Water O&M contracts are generally from five to 25 years. Contracts are generally fixed price (capacity charge) plus an additional charge, depending on the volume and quality of water.

Urban and Environmental Services

- Acciona provides waste collection, street cleaning and collection management services for more than 2,000 customers. These services are typically under fee-for-services contracts with no exposure to commodity price risk and limited risk associated with rising operating costs through cost-plus margin contracts with an average term of 10 years.

3. Other Activities

Bestinver

- Through Bestinver, Acciona offers financial asset management solutions—investment funds, pension funds, and institutional mandates. Bestinver has AUM amounting to EUR 5.5 billion and almost 50,000 clients.

Property Development

- Acciona's Property Development business is one of the leading residential property development and management companies in Spain. For the past 30 years, the Group has developed more than 13,000 homes across Spain, Portugal, Poland, and Mexico.

Other

- Acciona offers activities such as airport handling, urban electric mobility, facility services and Acciona Cultura.

Application of Multiples Methodologies

Acciona’s ratings are largely based on CAER's ratings and an assessment of the Group's Infrastructure Division, adjusted for structural subordination, leverage at the non-Energy business level, and potential mitigant factors. Acciona is engaged both in regulated generation activities in Spain and nonregulated activities in Spain and internationally through CAER, and in construction activities through its Infrastructure Division. Over the forecast horizon to 2024, excluding the Group’s other activities, CAER is expected to account for approximately 75% of Acciona's aggregated EBITDA, with the remaining 25% mainly generated by the Group's Infrastructure Division. As a result of the material sizes and contributions from the various business lines, DBRS Morningstar ultimately applies the following three methodologies to assess Acciona: (1) *Global Methodology for Rating Companies in the Regulated Electric, Natural Gas, and Water Utilities Industry*; (2) *Global Methodology for Rating Companies in the Independent Power Producer Industry*; and (3) *Global Methodology for Rating Companies in the Construction and Property Development Industry*.

Environmental, Social, and Governance Considerations

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis:	Y/N**	Extent of the Effect on the ESG Factor on the Credit Analysis: None (N), Relevant (R) or Significant (S)*
Environmental		Overall:	Y	R
	Emissions, Effluents, and Waste	Do we consider the costs or risks result, or could result in changes to an issuer's financial, operational, and/or reputational standing?	N	N
	Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs?	Y	R
	Resource and Energy Management	Does the scarcity of sourcing key resources hinder the production or operations of the issuer, resulting in lower productivity and therefore revenues?	N	N
	Land Impact and Biodiversity	Is there a financial risk to the issuer for failing to effectively manage land conversion, rehabilitation, land impact, or biodiversity activities?	N	N
	Climate and Weather Risks	Will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
Social		Overall:	Y	R
	Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
	Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or operational impact?	N	N
		Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Human Capital and Human Rights:	N	N
	Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	Y	R
	Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	N	N
	Occupational Health and Safety	Would the failure to address workplace hazards have a negative financial impact on the issuer?	N	N
	Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
	Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Governance		Overall:	N	N
	Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
		Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
		Bribery, Corruption, and Political Risks:	N	N
	Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
	Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
		Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
		Corporate / Transaction Governance:	N	N
	Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	N	N
		Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N
		Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N
		Institutional Strength, Governance, and Transparency:	N	N
		Consolidated ESG Criteria Output:	Y	R

Notes:
A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.
If any factor is proposed to have a Significant Effect, this should be reflected in the Press Release.
if Applicable is N, then Effect must be N; if Applicable is Y, then Effect must be R or S.

Environmental

As Acciona operates in both the renewable energy and the infrastructure sector, DBRS Morningstar considers the environmental factor Carbon and GHG Costs to have a relevant effect, with a modestly positive impact on DBRS Morningstar's overlay analysis.

Social

DBRS Morningstar considers the social factor Product Governance to have a relevant effect.

Governance

There were no governance factors that had a relevant or significant effect on the credit analysis. For more details about which governance factors could have an effect on the credit analysis, please refer to the checklist above.

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the *DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings* at https://www.dbrsmorningstar.com/research/416784.

Rating History

Issuer	Debt	Current	2022	2021	2020	2019
Acciona, S.A.	Issuer Rating	BBB	BBB	BBB	BBB	NR
Acciona, S.A.	Short-Term Issuer Rating	R-2 (middle)	R-2 (middle)	R-2 (middle)	R-2 (middle)	NR
Acciona Financiación Filiales, S.A.	Euro Medium Term Notes	BBB	BBB	BBB	BBB	NR

Previous Actions

- "DBRS Morningstar Confirms Acciona S.A. and Acciona Financiación Filiales, S.A.'s Ratings", 1 September 2022.
- "DBRS Morningstar Confirms Acciona S.A. and Acciona Financiación Filiales, S.A.'s Ratings and Removes Them from Under Review with Developing Implications", 8 October 2021.
- "DBRS Morningstar Places All Ratings of Acciona, S.A. and Acciona Financiacion Filiales, S.A Under Review with Developing Implications", 1 March 2021.
- "DBRS Morningstar Updates Disclosures for Acciona, S.A. Issuer Rating and Acciona, S.A. Short-Term Issuer Rating", 28 April 2020.
- "DBRS Morningstar Assigns an Issuer Rating of BBB and a Short-Term Issuer Rating of R-2 (middle) to Acciona, S.A. with Stable Trends", 23 April 2020.

Previous Report

- Acciona, S.A.: Rating Report, 14 October 2022.

Related Report

- CAER, 27 September 2023.

Notes:
All figures are in euros unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

About DBRS Morningstar

DBRS Morningstar is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

DBRS Morningstar is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

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