SQUIRREL MEDIA SA

A84856947

CORPORATE

BBB- ISSUER RATING
Long term

OUTLOOK
Stable

BBB INSTRUMENT RATING
Senior Secured 5.1 M €

Initiation date	
Long term	25/04/2023
Senior Secured 5.1 M €	19/06/2024
Rating Date	19/06/2024

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Rating Action and Rationale

- EthiFinance Ratings affirms Squirrel Media Group's rating at "BBB-", maintaining the Stable outlook. In addition, EthiFinance Ratings initiates the rating of Squirrel Media Group's bond, assigning a "BBB" rating.
- The group's rating is supported by several factors including: i) sector with high levels of profitability and controlled volatility, in addition to positive growth prospects, ii) improvement in its competitive positioning in recent years derived from the expansion plan developed by the group, an aspect that is also reinforcing competitive advantages and diversification in the market, iii) adequate credit metrics, with controlled leverage despite being in a phase of expansion, while maintaining solid capitalization, and iv) good liquidity profile, sufficient to enable it to meet its capex commitments and short-term obligations.
- The program issued in the MARF (November 2023) is supported by a high coverage ratio to meet the established guaranteed level (2x) and a financial covenant (NFD/EBITDA <3x) that reflects the maintenance of a favorable economic and financial structure.
- However, the rating is constrained by: i) the size and scale of the group in terms of revenues, ii) concentration of the shareholding structure, iii) limited development of ESG policies, and iv) the expansion strategy currently being developed with strong inorganic growth (financed in part with new debt, both bank debt and deferred payments). The policy of acquisitions also carries with it execution risk as regards the integration and fit of all the acquired companies (notably the last of IKI Group, that is a big size company), requiring further progress and consolidation in the coming years. In this regard, further progress is also required in the restructuring of some companies acquired in 2023, with negative EBITDA which currently moderately penalize the results of the group.
- The *Media and Entertainment* industry has a medium-to-low ESG risk (*sector heatmap* between 2 and 3). This assessment results in a sector score that is not affected by this factor.
- EthiFinance Ratings has had access to the group's financial projections for 2024-26. These have been analyzed internally but are not reflected in the report at the request of the group (listed on the continuous market).

Issuer Description

Squirrel Media is a Spanish technology group active in the Media and Entertainment sector. Its business is divided into four main areas: advertising, content, media, and technology. Since 2020, with the integration of the group into Vértice 360º (a reverse merger whereby total control remained in the hands of Squirrel), a new business model has been implemented, with an expansion strategy that favors greater operational and geographical diversity. The group had an average workforce of 234 in 2023. It generated revenues and EBITDA of €129.6m and €22m respectively (compared with €134.5m and €17.9m respectively pro forma for 2022, incorporating acquisitions made in 2023), with an NFD/EBITDA ratio at a controlled level of 2.1x (2.6x pro forma). During 2023, the group's share price fell by 36.9%, rising by 10.1% in June 2024, bringing its market capitalization back up to €149m.

Fundamentals

Business Risk Profile

Industry Risk Assessment

- **Highly competitive sector reflecting good growth prospects for the coming years.**

The audiovisual industry (media and entertainment) is characterized by: i) positive levels of profitability, ii) moderate and controlled volatility in companies' operating margins in the face of economic changes and cycles, iii) low barriers to entry (they do include necessary knowledge of the market, as well as the importance of the company's reputation and brand for greater business scalability) leading to a fragmented market with strong competition, and iv) a positive growth outlook for the coming years with a forecast CAGR23-27 of 4.6% in Spain and 3.6% worldwide. Investment in this sector in Spain is expected to reach €1,603m for the period 2021-25, as defined in the government's plan to turn the country into the largest audiovisual hub in Europe, with greater efforts and resources allocated to the promotion and digitalization of audiovisual activities. In addition, we highlight the high potential for artificial intelligence to increase productivity, especially over the medium to long term.

- **The *Media and Entertainment* industry has a medium-to-low ESG risk under our methodology (sector heatmap score between 2 and 3). This results in a sector assessment which is not impacted by industry-related considerations.**

The sector has a low impact linked to climate, biodiversity, and resources use. It also provides important infrastructure for communities, which is positively factored in. The sector could have a negative impact on consumers due to the wide audiences it reaches, this making especially important companies' responsibility towards the public, the quality of information, and related ethical issues.

Competitive Positioning

- **The group has been strengthening its market position in recent years, supported by its external expansion strategy.**

Squirrel Media is immersed in a process of organic and inorganic growth that is strengthening its role in the market and industry as a benchmark *player*, with a highly scalable, multi-product and multi-territory business model. The most significant acquisitions in the last year include BF Distribution, Grupo Ganga, and Mondo TV Studios in 2023 in the 'content' division, as well as the recently announced acquisition of IKI Group (May 2024) in the 'advertising' area. All this growth is changing the group's scale, which remains limited for the moment in terms of revenues.

Although the group still has a certain concentration of its activity in Spain (57.9% of sales in 2023), it is gradually increasing its geographical diversification as a result of its international expansion policy. With regard to its operational diversification, it is assessed as adequate, highlighting the recent increase in turnover in the 'content' segment, which in 2023 constituted Squirrel's main source of revenue (43.1%), followed by 'advertising' (25%), 'media' (23.6%), and 'TMT' (8.2%). Although the company continues to have a high concentration of clients (top 5 and top 15 accounted for 48.6% and 71.6% respectively of 2023 revenues), since the impact of Covid-19 on its activity, mainly in the 'advertising' area, it is implementing a portfolio diversification strategy. To this will be added the recent acquisition of IKI Group, which will strengthen the group's client portfolio.

Shareholder Structure and Governance

- **Concentrated shareholding with a management team that has extensive experience in the sector.**

Pablo Pereiro is Squirrel's main shareholder with a 90.35% stake (as if end-2023). The concentration in control and decision-making clearly poses a risk, although this is set against the long-term commitment and permanence of the main shareholder. Furthermore, although his financial capacity to support the group is viewed as only moderate, this is tempered by the Squirrel Group's status as a listed company (being able to raise new capital in the market, as was the case in 2022 and 2023). The main shareholder, board of directors, and group management have solid experience (+15/20 years on average), which is an important aspect in light of the expansion strategy currently being developed. However, we believe that as a result of this expansion policy, a further reinforcement of the management structure could be necessary, despite the integration of the management of the acquired companies. In addition, this growth is being achieved under a conservative financial policy, with M&A operations financed with own funds or an equitable mix between own and financial resources (50%-50%).

- **Low implementation of ESG policies which negatively affects the company's financial profile.**

Based on the ESG data analyzed and once our methodology has been applied, EthiFinance Ratings assesses Squirrel Media Group's ESG policies as limited (company ESG score between 3.5 and 4). As a result, the company's rating is affected by a reduction of *half a notch* on the financial profile, as we consider that the low involvement in the development of ESG policies could affect the quality of the group's financing. As a result, we consider it necessary for Squirrel Media to go further and define ESG policies, in line with the size it is reaching, as the rating awarded in this area could be adjusted even further in view of the requirement for greater definition and transparency at the ESG level.

Financial Risk Profile

Sales and Profitability

- **Growth in turnover and positive margins generated by the business, driven by the new dimension achieved by the group.**

Squirrel is showing substantial growth in its revenues in recent years (€134.5m in 2023 pro forma with a CAGR20-23 of 61.3%), which are being strengthened by the organic growth of the business (except for advertising in the last year), as well as by the corporate acquisitions that are being made. The EBITDA margin, although lower than in previous years due to the latest incorporations (Grupo Ganga and Mondo TV are loss-making), remained at an adequate level of 13.3% in 2023. For 2024 and future years, the group expects to see a further increase in revenues, profits and margins, reinforced by the growth forecast for all its four business lines, where the content area (monetizing the investments already made years ago) and advertising stand out (with more momentum with the integration of IKI Group, which had a turnover of €93m in the last year).

Leverage and Coverage

- **Controlled leverage levels.**

Squirrel's debt has increased in recent years as a result of its organic and inorganic growth plan, including M&A transactions, which are either carried out with its own funds or through an equitable mix of equity and financial capital. In any case, the company maintained its NFD/EBITDA ratio at a controlled level of 2.1x in 2023 (2.6x considering pro forma figures for 2023 with the integrations). In addition, despite recent deterioration, it maintains a high interest coverage ratio (11.8x in 2023; 8.2x according to pro forma figures), reflecting the group's capacity to pay interest on debt with the operating yield generated.

Cash Flow Analysis

- **Business model that generates operating cash flow.**

The company is showing an upward trend in funds from operations (FFO) generated, which reached €20.5m in 2023, with a CAGR20-23 of 101%. All this is driven by the organic and inorganic growth that the group is achieving, which places the FFO/NFD ratio at an adequate level (43.8%). However, it will be important for the group to increase operating cash generated in the coming years in order to meet the demanding maturities of its financial debt (€19.7m and €8.2m for 2024 and 2025 respectively, which represent 60.9% of total financial obligations).

Capitalization

- **Positive solvency supported by high levels of capitalization.**

Although the increase in financial debt is proportionally higher than the increase in the group's net equity, Squirrel maintains solid capitalization values, with an equity/TFD ratio of 118.5% in 2023 (-3.5pps YoY). The recent capital increases, together with a self-financing policy (capitalization of profits achieved and no dividend payout), have led to a strong equity structure.

- **Significant weight of intangible assets within the company, the impairment of which could penalize its net worth.**

The group's intangible assets, mainly consisting of audiovisual rights and goodwill from corporate acquisitions, accounted for 71% of total investments in 2023. This aspect constitutes a risk since potential impairments could limit its equity levels. In any case, this type of situation is seen generally throughout the entertainment and media sector, with several M&A operations, constituting a shared risk.

Liquidity

- **Favorable liquidity levels of the group.**

Squirrel has a positive liquidity ratio (>1x), with sufficient available sources of liquidity (cash, estimated FFO and available credit lines) to meet its obligations and upcoming commitments (short-term debt maturities and estimated capex), considered demanding by Ethifinance Ratings given their high volume. In addition, it should be noted that its business model (mainly in the content area) has high operating needs (high collection periods due to the type of customers with which it operates), and the company is about to close an agreement (June 2024) regarding a working capital facility to be able to bring forward the collection of these balances and improve its working capital. EthiFinance Ratings considers this point important in order to maintain and expand the current business without encountering liquidity issues.

Modifiers

Controversies

- **The group does not present any controversy issues.**

Our assessment of controversies determines that there is no news or events that constitute a real issue that point to a weakness in Squirrel Media Group's operations or organization and require follow-up.

Country Risk

- **It has been determined that there is no conditioning country risk that would have a negative impact on the rating.**

Squirrel concentrates most of its business in Spain and Italy (around 80% of its revenues in 2023), with the rest mainly in other European countries and Latam.

Issuance profile

- **Bond issue of €5.1m at the end of 2023, aimed at supporting the group's ongoing expansion phase.**

In November 2023, Squirrel Media acquired new financing through bonds considered *secured* (secured by a mortgage pledge or pledge on a portion of the group's film catalogue) issued on the MARF (€20m program with an issue of €5.1m so far), *bullet* type, and maturing at the end of November 2026. These funds have been earmarked to support the organic and inorganic growth strategy being followed by the company in recent years, all with a 2x transaction coverage and an NFD/EBITDA covenant below 3x, helping to ensure the maintenance of a balanced economic-financial structure.

Main Financial Figures

Main financial aggregates. Thousands of €.	2021	2022	2023 [1]	23vs22
Turnover	69,698	79,131	129,644	63.8%
EBITDA	7,436	13,776	22,005	59.7%
EBITDA Margin	10.7%	17.4%	17.0%	-0.4pp
EBIT	5,507	7,955	15,243	91.6%
EBIT Margin	7.9%	10.1%	11.8%	1.7pp
EBT	5,382	6,548	13,754	110.0%
Total Assets	64,275	117,978	173,564	47.1%
Equity	30,476	47,994	65,312	36.1%
Total Financial Debt	12,687	39,346	55,112	40.1%
Net Financial Debt	9,367	34,810	46,760	34.3%
Equity/TFD	240.2%	122.0%	118.5%	-3.5pp
NFD/EBITDA	1.3x	2.5x	2.1x	-0.4x
Funds From Operations	8,140	15,834	20,468	29.3%
FFO/NFD	86.9%	45.5%	43.8%	-1.7pp
EBITDA/Interest	33.0x	12.3x	11.8x	-0.4x

[1] On a pro forma 2023 basis, incorporating the acquisitions of BF Distribution (March 2023), Grupo Ganga (June/November 2023) and Mondo TV (September 2023), EBITDA would be €17.9m (EBITDA margin of 13.3%), with NFD/EBITDA, FFO/NFD and EBITDA/interest ratios of 2.6x, 34.1% and 8.2x, respectively.

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	*BBB+*
Capitalization	*A-*
Company's ESG	Negative
Anchor Rating	**BBB-**
Modifiers	*No*
Corporate Rating	**BBB-**
*Guarantee**	*+1 notch*
Issue Rating	**BBB**

* Squirrel Media Group provides as guarantee for the issuance of a bond program on the MARF (€20m), a pledge of a chattel mortgage or first lien on the intellectual property rights, and in particular, distribution, exploitation and ownership rights related to the majority of the group's current film catalogue. Minimum coverage of 2x.

Rating Sensitivity

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

Development of ESG policies. Maintain a conservative and controlled financial policy in M&A processes, which, together with the increase in activity and profitability, would lead to a strengthening of the debt ratios, obtaining values such as NFD/EBITDA <1.5x and FFO/NFD > 50%. Improvement or maintenance of the current figures for the equity/TFD ratio and reinforcement of interest coverage with values above 12x. Extend the maturity schedule of financial debt with more comfortable commitments over time (currently there is a high concentration in 2024/25, with 60.7% of maturities). In general, compliance with the economic-financial projections analyzed.

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

Coverage of the bond program below 2x with negative evolution of upcoming film releases and very significant fall in the valuation of the catalogue. Significant non-compliance with the economic-financial projections analyzed with worsening ratios such as NFD/EBITDA (>3x), FFO/NFD (<30%), interest coverage (<7x) and equity/TFD below 100%. Absence of progress to broader and more far-reaching ESG policies by the group. Worsening liquidity levels with higher payment obligations (debt and capex) relative to operating cash and *cash* on hand (<1x).

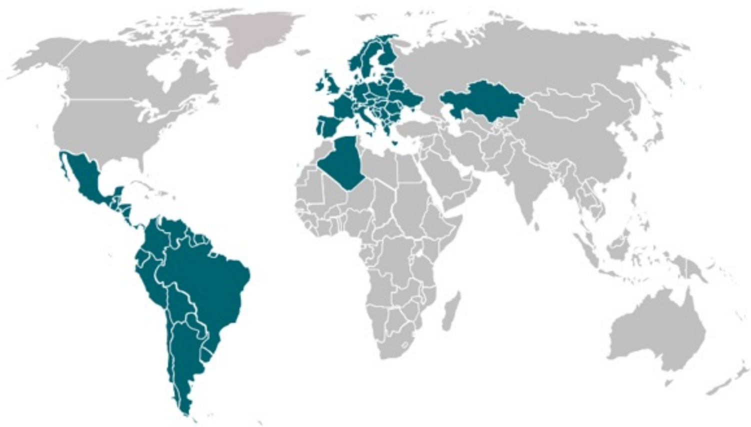
Company Profile

Activity and Scope of Activity

Squirrel Media is a technology group active within the Entertainment and Media (E&M) sector. It is an independent communications company that emerged in 2012 through the creation of Best Option Media (BOM), the advertising agency that gave rise to the group. In 2016 Squirrel Capital (which had been created in 2003) acquired a 25% stake in audiovisual production company Vértice 360º, which had been in bankruptcy, and subsequently, in 2020, there was the full integration of Vértice 360º and Squirrel (by means of a reverse merger with its main shareholder). In 2021 Vértice 360º was rebranded as Squirrel Media, which now has four directly related activity segments.

- **Advertising**. This segment could in turn be divided into two interlinked activities led by two subsidiaries of the group: i) BOM, an advertising agency that carries out the marketing strategy, consultancy and campaign design process for international clients on a global level, and ii) Squirrel Global Media, an international advertising buying agency that complements the previous advertising agency activity with media management and promotion. IKI Group has recently (May 2024) been acquired, which will significantly strengthen this business segment.
- **Content**. It focuses on the production and distribution of audiovisual content through the prior development or acquisition of audiovisual rights from *big players* or independent production companies for subsequent exploitation and monetization in cinemas, on-demand platforms, or pay TV and free-to-air, among other channels.
- **Media**. It has several free-to-air channels (BOM Cine, BOM Channel, and the Paramount and Disney Channel licenses), as well as global pay channel platforms. In addition, it has a radio station, the advertising content service for Telefónica's public screens, and is the licensee of five regional free-to-air DTT licenses (Madrid, Andalusia, Valencia, Galicia and Murcia).
- **Technology (TMT)**. It offers *broadcasting* services, live broadcasting of events (with a fleet of mobile production and transmission units), teleports, audiovisuals, consultancy, and is also a technological support unit for the group.

Operational footprint of the group in recent years

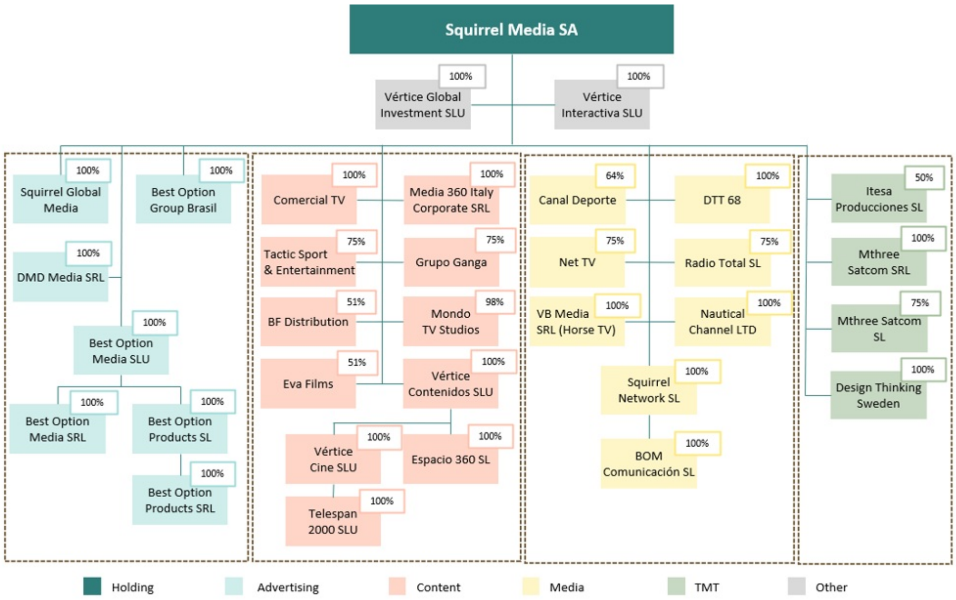


Corporate Structure

The group's structure has undergone significant changes in recent years. Following the financial problems of the previous owner, Vértice 360º, which led it to file for pre-insolvency proceedings at the end of 2013 and end up entering insolvency proceedings in April 2014, the group underwent a restructuring process. This process was most evident at the corporate level in the non-cash capital increase agreed in July 2020, through which a reverse merger was carried out in which Squirrel Capital integrated into the group (through the listed company Vértice 360º) its advertising, e-commerce, radio, television, and other services areas, which were valued at the same amount as the aforementioned capital increase (€220.5m). In this way, the group became controlled by Squirrel with the respective change of corporate name (in September 2021).

Within the Squirrel Media Group there are more than 30 subsidiaries, which are divided into the four business lines.

Corporate structure (2023)



Qualitative Analysis

Industry Assessment

The E&M industry is characterized, among other factors, by: i) being highly competitive, with a large number of playerscompeting in a highly fragmented market with low barriers to entry (we would highlight, within these, investment in technical equipment, *know-how,* as well as the recognition and reputation necessary to drive the growth of a business), ii) showing positive and favorable levels of operating profitability with controlled volatility in times of crisis and greater stress, without excessive impact on its performance levels, iii) positive growth prospects for the coming years, with a forecast compound growth rate for 2023-27 of 4.6% in Spain and 3.6% worldwide, and iv) a favorable assessment of the sector at the ESG level, without affecting the rating, since although the impact of the activity carried out is very low in terms of environmental factors, there is a risk related to stakeholders in terms of the target audience (society), the quality of information, and other ethical issues.

In Spain, investment in this sector is expected to amount to €1,603m for the period 2021-25, all of which is defined in the government's plan to turn the country into the largest audiovisual hub in Europe (*Agenda España Digital 2026*), with a greater effort in the promotion and digitization of audiovisual activities. This plan involves new regulation for the audiovisual market, the General Law on Audiovisual Communication (LGCA), approved in July 2022 (repealing the previous law of 2010). This regulates new agents and audiovisual communication services, reinforces the protection of users (mainly minors), and targets the promotion of European audiovisual works, among other aspects. In addition to this investment in the sector, Spain's tax incentives for content production, in which the country currently ranks sixth in the European Union (EU) in terms of the number of titles produced, stand out.

As for the evolution of the sector at global level, after the fall experienced due to the impact of Covid-19 (revenues fell by around 2.3% in 2020), the growth trend resumed in 2021 and 2022 (+10.6% and +5.4% year-on-year respectively) and is estimated to continue in the coming years, although probably with some slowdown. In Spain, the scenario has been similar, with revenues expected to reach around €35,000m in 2027 (compound annual growth of 4.6%).

The level of advertising spending in Spain experienced a 3.7% increase in controlled media during 2023, reaching €5,901m (source: Infoadex). Among the different advertising media, 'digital' stood out as the most important, representing 47.6% of total investment (€2,810m), an increase of 5.2% over the previous year. TV advertising was the second-largest media by volume of investment, with 29.4% of total (€1,735m; +0.3% YoY), followed by radio advertising (7.8%; €461m), outdoor (6.9%; €407m), newspaper advertising (5.6%; €333m), and other, which includes cinemas, magazines and Sunday media (2.6%; €155m). Of all these segments, the only one to show a contraction in 2023 was newspaper advertising (-2.1% YoY), with the rest maintaining positive growth. The growing importance of digital advertising is evident, and this trend is expected to continue in the coming years.

In 2023, there was a strong increase in over-the-top (OTT) video revenues, led by the boom and expansion of *streaming* platforms (Netflix, HBO, Disney+, Amazon Prime, etc.) since the pandemic. No growth is being seen in TV advertising, which is instead being passed on to OTT platforms. OTT revenues grew by 54.4% in 2020, 42.1% in 2021, and 31.2% in 2022, with a forecast CAGR23-27 of 9.3%. There is currently some uncertainty as to whether there will be enough subscriptions and revenues to sustain the capex being incurred, increasing competition and with companies developing advertising-based video on demand (AVOD) platforms as a way to generate more revenue, as well as offering lower prices to the customer affected by the inflationary environment.

Estimated turnover by segment in Spain. Millions of €.

	2019	2020	2021	2022	2023e	2024e	2025e	2026e	2027e	$CAGR_{23\text{-}27}$
TV advertising	2,049	1,667	1,862	1,784	1,743	1,767	1,762	1,755	1,747	-0.4%
Internet advertising	3,151	2,936	3,928	4,251	4,622	4,983	5,265	5,477	5,634	5.8%
Outdoor advertising	386	232	306	392	431	449	461	469	475	3.9%
OTT video	376	581	826	1,084	1,283	1,413	1,522	1,613	1,689	9.3%
Cinema	651	182	266	402	512	578	640	674	705	11.9%

*It includes 'Subscription Video on Demand (SVOD)', 'Transactional Video on Demand (TVOD)' and 'Advertising-based Video on Demand (AVOD)'. Source: Entertainment and Media Outlook 2023-2027 Spain, PwC.

At EthiFinance we believe that the sector will grow materially in the coming years, conditioned by factors such as greater digitalization, adaptation to changes in consumer tastes, as well as new M&A operations as a transformation strategy and reflecting greater competition in the market. There is also the strong potential for artificial intelligence to increase productivity (automating tasks such as editing or content creation, among others) and creativity, with a significant impact on the sector especially over the medium-to-long term.

Competitive Positioning

Squirrel Media Group's competitive positioning is limited by its scale, which is somewhat small in the industry in terms of revenues. However, the company has been improving its competitive positioning in recent years, as a result of its current expansion strategy. Although in 2023 its activities continued to be concentrated in Spain (57.9% of sales *vs.* 63.6% in 2022), the group is becoming more geographically diversified each year. Sales elsewhere in Europe (with a greater concentration in Italy) accounted for 24.3% of total in 2023 (albeit down from 27.7% in 2022) and with a notable increase last year in its business in America (14.7% vs. 6.8% in 2022), highlighting the weight of Chile and the US in the 'content' area.

Geographical and operational distribution of turnover (2023). Thousands of €.

Market / Segment	Advertising		Content		Media		TMT	
	Amount	Weight	Amount	Weight	Amount	Weight	Amount	Weight
Spain	3,713	11.5%	38,945	69.9%	29,927	98.0%	2,261	21.4%
Europe	24,220	74.9%	1,888	3.4%	610	2.0%	4,697	44.4%
America	4,131	12.8%	14,809	26.6%	0	0.0%	0	0.0%
Rest*	279	0.9%	74	0.1%	0	0.0%	3,617	34.2%
Total	**32,343**		**55,716**		**30,537**		**10,575**	

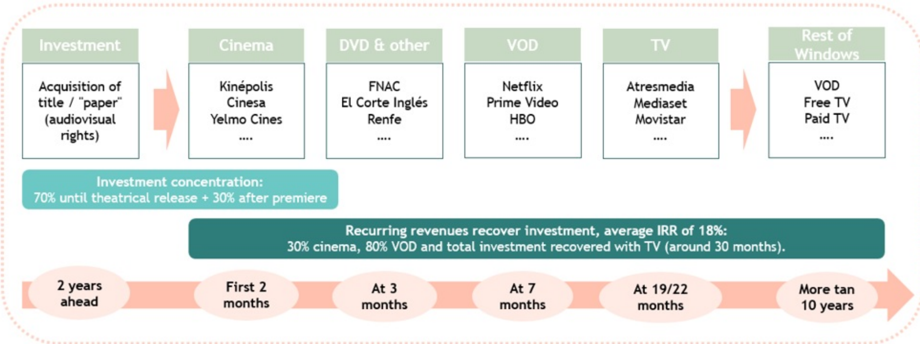
* Countries such as Algeria, the United Kingdom and the United Arab Emirates, among others, are included.

Recent highlights for each of Squirrel's four operating segments include:

- **Advertising**. This was Squirrel's main source of revenue generation until 2022 (€36m, weight of 45.9%). However, in 2023, this line showed a reduction over the previous year of 10%, due, among other factors, to the reduction of revenues in the domestic market and the environment in Latin America, marked by the elections in Argentina and uncontrolled inflation. They amounted to €32.3m (25% of total revenues). A large increase in this segment is expected in 2024, however, with the recent acquisition of IKI Group (100% in May 2024, with the final closing and integration of the company expected around the middle of the year). The deal is expected to make Squirrel Media's advertising area the leading Spanish independent advertising group by revenue volume, with an aggregate segment turnover for 2023 of €125.3m (pro forma data published in the CNMV).
- **Content**. The group is currently undergoing a strong expansion process in this area, targeting not only Spain but also countries such as Italy, Portugal, and the US, as well as the Latam region, among others (now covering 33 Spanish, Portuguese and Italian-speaking countries), through the creation of new companies, joint ventures, or even M&A operations. As a result of this expansion, this segment has taken the lead in revenue generation for the group, rising from €7.3m in 2022 to €55.7m in 2023 (43.1% of total revenues). The major M&A transactions for the 2023 financial year were:
    - Acquisition of BF Distribution (51% in March 2023), considered the leading film distribution group in Latam (with more than 1,200 titles released) and with a presence in the US.
    - Acquisition of Grupo Ganga (51% in June and 24% in November 2023), a Spanish audiovisual production company with a wide range of content and different formats such as fiction, entertainment, documentaries, and advertising.
    - Acquisition of Mondo TV Studios (97.98% in September 2023), an audiovisual production company with its own studio and animation catalogue, with distribution in Spanish (Spain, Andorra, Latam, and US Spanish-speaking countries), Portuguese and Italian.

Squirrel's content distribution model shows that, although the investment is initially concentrated with the acquisition of the audiovisual rights of the content itself, all this capex is subsequently monetized by different windows, ranging from theatrical release (which includes the rest of the promotion and advertising costs of the films) to the income obtained from other media such as DVD, VOD or TV. This enables positive and high rates of return to be obtained, which will be linked to the success and demand achieved by the released and exploited title.

Content distribution model



In accordance with the group's business plan, Squirrel considers this area to be its main source of growth for the coming years. During 2023, 8 technical releases were made in Spanish cinemas, and the group has another 131 releases committed for the period 2024-25, acquiring the exploitation rights not only for Spain but also for Italy, Portugal, Andorra and all Latin American countries.

Therefore, Squirrel Media is making a strong commitment to increase its activity in this area, mainly with premium or blockbuster films, being a reference player in the market and maintaining a solid strategic position as a content distribution company of the main international producers (Millenium, Lionsgate, FilmNation, Columbia Pictures, Warner Bros., etc.) to all exploitation windows. This is an important competitive advantage for the group, as it maintains a high reputation and trust with these important players in the sector (considered a significant barrier to entry in the market for others). This in turn assists scalability in its activity as it continues to reach new content acquisition agreements in the countries where it operates and even new markets (taking advantage of the favorable track-record it is acquiring).

- **Media.** This segment is also currently undergoing a period of expansion, becoming the third-largest private free-to-air television operator in Spain (behind Mediaset and AtresMedia). In 2023, this segment generated 23.6% of the group's total turnover, reaching €30.5m (+16.4% YoY). As the group grows with new free-to-air regional DTT licenses and new channels, the market share (audience) increases and consequently the group's revenues through advertising.
- **Technology (TMT).** This segment, which in addition to offering its services to media companies among others supports the entire group, remains stable in terms of revenues, representing around 8% of Squirrel's business in 2023 (€10.6m). Returns for 2024 and beyond will include the recent incorporation of Design Thinking Sweden (100% in January 2024), a global leader in artificial intelligence and technological innovation.

Squirrel's business model is considered self-sufficient with numerous synergies between the group's four operating segments. Among these we would highlight: i) the advertising on its television channels can be managed by its own advertising area, ii) the content acquired can subsequently be exploited on its own television channels, which in turn, depending on the market share or audience they achieve, will increase advertising revenues, and iii) all the technological support for the group's activities across its different lines is carried out *in-house*. All these aspects, along with the multi-product and multi-territory nature of the group, strengthen Squirrel's competitive position. Also, in a scenario of greater stress in the industry, Squirrel could reduce risks to a certain extent, with its consistent, recurring and highly scalable business.

On the other hand, the company is exposed to certain risks by the nature of its activities. On the content side, the monetization of the acquired titles depends on the market reaction to them; changes in audience tastes and trends could affect revenues. The advertising segment is considered a more cyclical activity, to the extent that, in times of greater stress in the economy, this business could suffer, as has been the case in recent years for the group. In addition, Squirrel has a notable concentration of customers, with the top 5 and top 15 accounting for 48.6% and 71.6%, respectively, of 2023 revenues. Although this diversification has improved compared with 2022 (top 5 of 55% and top 15 of 76%), further progress in the coming years would be required to reduce this risk. That said, the diversification strategy initiated by the group after the impact of Covid-19, mainly in its advertising area, has seen that division move from a top 5 and top 15 in 2021 of 60% and 67%, respectively, to 18% and 22%, respectively, in 2023. In addition, the recent acquisition of IKI Group brings a larger volume of clients that will benefit the group's current portfolio.

Shareholder, Management and Financial Profile

As described above (sub-section "Corporate structure"), the shareholding structure has undergone changes in recent years as a result of the restructuring process reflected in the previous ownership and name of the group (Vértice 360º). Since 2018, Squirrel Capital has been the majority shareholder of the group, reaching a 90.35% stake in 2023. This company is a family officecontrolled by Pablo Pereiro. The rest of the shareholders correspond to the free float of the company, which is listed on the continuous market.

In addition to being the main shareholder, Pablo Pereiro is both the chairman of the board of directors and CEO of the group, where it is worth highlighting his extensive experience in the Media sector (+20 years), reflected in a high level of know-how and knowledge of the market. However, the fact that a single shareholder holds so much of the equity means that the extra financial muscle to support the group could be conditioned and limited. Nevertheless, this aspect is mitigated by the fact that Grupo Squirrel is a listed company, with the latest capital increases in June 2022 (€10m) and September 2023 (€0.8m) standing out in this regard. In addition, over the medium term, the group could increase its free float in order to help fund the expected higher inorganic growth and this could involve the entry of new shareholders.

The group's board of directors is made up of seven members (four independent) with an extensive track record in different areas (financial, legal, audiovisual, etc.), which is reflected in their more than 20 years of average experience. There is also extensive experience shown in management positions in each of Squirrel's business lines, generally exceeding 15/20 years, an aspect that should have a positive impact on the development and execution of the group's strategy. However, due to the strong growth of the group in recent years, it has become necessary to further strengthen its structure, to adapt it to the needs of a larger organisation. Although this process is being helped by the retention of the management of recently acquired companies, additional reinforcement could be necessary if this expansion phase continues.

As for the main drivers of Squirrel Media's business, they are mainly focused on the development of a strategy of both organic and inorganic growth, highlighting for the latter the M&A operations carried out in recent years and which are expected, a priori, to continue (after the latest reinforcement of the advertising segment, the next area to continue expanding could be content).

All this growth in recent years is taking place under a conservative financial policy, with Squirrel acquiring companies directly with equity or through a *mix* (half equity and the rest bank financing). This has helped to maintain a balanced financing structure (although with an increase in debt levels in recent years), which is expected to continue. In March 2024, the group presented its new business plan, which includes significant growth rates (without considering further inorganic operations), due to the boost that its business lines will have, highlighting 'content' which, after the investment of €57m in the last four years, is expected to deliver a significant increase in revenues in 2024 and 2025, favored by the internationalization of the business to all Spanish, Portuguese and Italian-speaking countries. Most recently, the acquisition of IKI Group (100%, May 2024) will make Squirrel the leading Spanish advertising group by revenues.

At the ESG level, however, the company has room for improvement. One of the objectives for 2024-25 is a greater incorporation of ESG practices more in line with the new scale that the group is reaching.

Quantitative Analysis

Results and Profitability

Profitability. Thousands of €.	2021	2022	2023 (1)	23vs22
Turnover	69,698	79,131	129,644	63.8%
Gross Mg	21.1%	25.7%	28.6%	2.9pp
EBITDA	7,436	13,776	22,005	59.7%
EBITDA Mg	10.7%	17.4%	17.0%	-0.4pp
EBIT	5,507	7,955	15,243	91.6%
EBIT Mg	7.9%	10.1%	11.8%	1.7pp
Financial Expenses	-225	-1,123	-1,858	-65.4%
EBT	5,382	6,548	13,754	110.0%

(1) On a pro forma 2023 basis, incorporating the acquisitions of BF Distribution (March 2023), Grupo Ganga (June/November 2023) and Mondo TV (September 2023), EBITDA would stand at €17.9m (EBITDA margin of 13.3%), EBIT at €11.8m (margin of 8.8%) and EBT at €9.7m.

Squirrel Media Group's business has grown significantly in recent years, primarily as a result of the transformation and integration process with Vértice 360º. The new group now has four complementary business lines with clear synergies between them (advertising, content, media and technology). As a result, its turnover has been significantly boosted to €134.5m in 2023 pro forma acquisitions (with a CAGR20-23 of 61.3%). In 2023 (pro forma) the EBITDA margin remained positive (13.3%) although it was reduced by 4.1pps due to the recent integration of companies in the content area (Grupo Ganga and Mondo TV), with negative margins. The group estimates that the performance of these companies will improve in the coming years (following a restructuring and optimization of their operating costs mainly), recovering and strengthening operating margins again (forecast to reach 20%).

By operating segment, for the last audited year 2023, although lower results and margins were observed in the 'technology (TMT)' area, given the support activity for the rest of the group's divisions, the other lines ('advertising', 'media' and 'content') obtained high operating margins (10.1%, 21.7% and 26.8% respectively) and EBT margins (10.1%, 20.3% and 15.7% respectively). It is worth highlighting the significant increase in the turnover of 'content', which has gone from sales of €7.2m in 2022 to €55.7m in 2023. This is the result of the strategy carried out by the group to invest strongly in this area during recent years (capex and opex), which has started to be monetized in 2023 and which will continue in the coming years.

The group has managed to maintain controlled debt levels and consequently low levels of financial expenses and interest coverage at adequate levels. However, there has been a notable reduction in recent years (8.2x in 2023 pro forma and 11.8x considering the data for the audited financial year; -4x YoY and -0.4x YoY, respectively). Squirrel has reported EBT of €9.7m and €13.8m in 2023 pro forma and audited (+48.6% YoY and +110% YoY respectively).

The group projects a progressive increase in turnover for 2024 and 2025, with a considerable increase projected for the 'content' segment (CAGR23-25 61.6%), with the other divisions showing a more moderate growth trend (although the advertising area will also grow significantly with the already announced and commented integration of IKI Group). Squirrel also expects to generate a consistent EBITDA margin of around 20%, supported by the ongoing monetization of investments in the content segment, which Squirrel expects will translate into higher sales and higher margins.

Asset Structure and Indebtedness

Asset structure and financing. Thousands of €.

	2021	2022	2023 [1]	23vs22
Total Assets	64,275	117,978	173,564	47.1%
Non Current Assets	37,130	83,493	123,058	47.4%
Current Assets	27,145	34,485	50,506	46.5%
Working Capital	-931	11,868	6,508	-45.2%
Equity	30,476	47,994	65,312	36.1%
Total Financial Debt	12,687	39,346	55,112	40.1%
Net Financial Debt	9,367	34,810	46,760	34.3%
Equity/TFD	240.2%	122.0%	118.5%	-3.5pp
NFD/EBITDA	1.3x	2.5x	2.1x	-0.4x
EBITDA/Interest	33.0x	12.3x	11.8x	-0.4x

[1] On a pro forma 2023 basis, incorporating the acquisitions of BF Distribution (March 2023), Grupo Ganga (June/November 2023) and Mondo TV (September 2023), EBITDA would be €17.9m (EBITDA margin of 13.3%), with NFD/EBITDA, FFO/NFD and EBITDA/interest ratios of 2.6x, 34.1% and 8.2x, respectively.

At the end of 2023, Squirrel Media Group's asset structure was more concentrated in the long term (70.9% of total), with a greater importance of intangible assets (81.3% within non-current assets), mainly comprising: i) the company's audiovisual rights for all the titles it is acquiring, which have increased in the last year, and ii) goodwill derived from the M&A policy it is developing. This high level of intangible assets means that any significant deterioration in their value could significantly erode the group's capitalization levels, a risk shared by the industry in general, which is tending towards concentration with the implementation of various M&A operations.

With regard to the financing structure, the group has an appropriate distribution of its sources of financing, based on a strengthening of equity which, together with controlled levels of financial debt, led to an equity/TFD ratio of 118.5% in 2023, a figure very similar to that of 2022. The equity structure was strengthened in recent years with the capital increases of €10m in June 2022 and €0.8m in September 2023. EthiFinance Ratings takes a positive view of the financial policy being adopted by the group to undertake its expansion strategy, with M&A transactions being financed with equity or with an equitable *mix* of equity and financial debt, which helps to maintain a balanced financial structure.

NFD/EBITDA Calculation. Thousands of €. (1)			
	2021	2022	2023
Banking debt	10,490	27,976	33,594
MARF bonds			5,100
TFD (Squirrel Media)	**10,490**	**27,976**	**38,694**
Other financial liabilities (2)	2,197	3,598	4,177
Deferred payments for company purchases (+)	0	7,772	7,591
Non-recourse factoring (+)			4,650
Fixed assets suppliers (+)			
TFD	**12,687**	**39,346**	**55,112**
Cash (3)	*3,320*	*4,536*	*8,352*
NFD (Squirrel Media)	7,170	23,440	30,342
NFD	9,367	34,810	46,760
EBITDA (reported by Squirrel)	7,436	13,776	22,005
EBITDA	7,436	13,776	22,005
NFD/EBITDA (Squirrel)	**1.0x**	**1.7x**	**1.4x**
NFD/EBITDA	**1.3x**	**2.5x**	**2.1x**

(1) On a pro forma 2023 basis, incorporating the acquisitions of BF Distribution (March 2023), Grupo Ganga (June/November 2023) and Mondo TV (September 2023), the NFD/EBITDA ratio would be 2.6x. (2) 'Other financial liabilities' mainly incorporate IFRS-16 liabilities and an ICF loan. (3) In 2023, €6.3m associated with the *Latin Grammy* service contract is excluded as it is restricted and only available for this service.

Squirrel's financial debt has increased in recent years, reaching €55.1m at end-2023 (+40.1% YoY). This increase reflects, as detailed above, the expansion and incorporation of companies into the group for its main lines of business, for which new bilateral loans are being acquired, mainly with Caixa. Although the terms negotiated for their repayment are more balanced than in the previous year, they are still not too loose in time (maturity of the loans between 2025 and 2028), reflecting a high concentration in the repayment of these financial obligations for 2024 and 2025 (57.8%, with data referenced to December 2023, based on the total financial debt and excluding the working capital lines as we assume they will be renewed at maturity).

Overall, the group has since the restructuring due to past financial problems recorded adequate NFD/EBITDA ratios. In the last two years the ratio has increased to 2.1x in 2023 (audited figures), reaching 2.6x pro forma, due to the lower EBITDA resulting from the integration of Grupo Ganga and Mondo TV (with losses in the last year). The company expects a progressive reduction in debt in the coming years, accompanied by an increase in EBITDA due to synergies from the latest M&A transactions including that of IKI Group, which could reduce the company's leverage. However, the need to manage its working capital and reduce the average collection period with its main clients in the content area (large companies such as Amazon), will lead the group to increase its working capital lines during 2024 (around €16-20m total limit pending the final closing of a new line with La Caixa), which could increase its financial debt. EthiFinance Ratings believes that boosting the group's earnings (as projected for 2024 and 2025) is necessary if Squirrel is to maintain and consolidate its adequate economic and financial position in the coming years.

Cash generation and liquidity

Following the reverse merger of Squirrel Media with Vértice 360º, there has been a change in the business model that is reflected in the group's operating cash flow generation, which has been positive since 2020, with a clear upward trend driven by expansion and growth since then. Thus, we are facing a group with a positive liquidity ratio and that is supported by a solid *cash* position (€8.4m excluding restricted cash in 2023) and the generation of operating funds with its activity, of €20.5m at the end of 2023, estimating a growing trend for 2024-25. However, EthiFinance Ratings highlights Squirrel's high financial commitments (banking, deferred payments for the acquisition of Net TV and Grupo BF mainly, as well as a loan with the Catalan Institute of Finance) during 2024, which together with the capex necessary to undertake the expansion process in which it finds itself, mean a demanding payment schedule in both the short and medium term.

Cash flow. Thousands of €. (1)	2021	2022	2023	23vs22
EBT	5,382	6,548	13,754	110.0%
+/- adjustments in results	2,976	10,467	10,277	-1.8%
+/- other operation cash flow	- 218	- 1,181	- 3,563	-201.7%
Funds From Operations	**8,140**	**15,834**	**20,468**	**29.3%**
+/- WK changes	50	- 5,534	10,539	290.4%
Operational Cash Flow	**8,190**	**10,300**	**31,007**	**201.0%**
Net Investment Cash Flow	**- 13,104**	**- 33,313**	**- 27,883**	**16.3%**
IFRS 16 lease repayments	**- 4,914**	**- 23,013**	**3,124**	**113.6%**
Free Cash Flow	-	10,000	-	-100.0%
+/- changes in capital	-	-	-	-
- Dividends	**- 4,914**	**- 13,013**	**3,124**	**124.0%**
Cash flow Generated Internally	1,394	14,229	7,007	-50.8%
+/- debt variation	-	-	-	-
+/- changes in exchange rates	**- 3,520**	**1,216**	**10,131**	**733.1%**
Cash Variation	6,839	3,319	4,535	36.6%
Cash at the start of the period	**3,319**	**4,535**	**14,666**	**223.4%**

(1) With proforma 2023 data, incorporating the acquisitions of BF Distribution (March 2023), Grupo Ganga (June/November 2023) and Mondo TV (September 2023), FFO would stand at €16m (calculated by Ethifinance using the formula: EBITDA +/- interest +/- taxes).

In terms of cash flow, the group has shown a positive evolution in recent years for funds from operations (FFO), which reached €20.5m in 2023, with a CAGR for the period 2020-23 of 101%. On a pro forma basis for 2023 FFO would be €16m (calculated by Ethifinance based on the figures provided by the company) given the reduction in EBITDA following the integration of the companies acquired in that year. This nevertheless still shows an improvement over 2022. The further acquisitions, such as BF Group and IKI Group, should reinforce this upward trend in revenues and cash generation.

Looking at the situation at the end of 2023, the group's FFO/NFD ratio remains at an adequate level (43.8% in 2023; 34.1% pro forma), despite the steady increase in financial debt over the last few years. Along with higher earnings, further progress in operating cash levels will be necessary in the coming years to be in line with Squirrel's greater size.

The source of funds from the company's working capital requirements in 2023 (€10.5m), after the negative figure for 2022 (-€5.5m), boosted operating cash flow (OCF) generation to €31m (3x vs 2022). As a result, Squirrel's free cash flow (FCF) in the last year moved out of the red, standing at €3.1m, despite the group's high investment currently underway (average of €21.5m for the period 2020-23) in both new corporate acquisitions and the purchase of a more extensive catalogue of content. In the case of the new films being acquired, this entails a higher capex at the time of acquisition, but which is monetized in the subsequent years (already from 2023 and which should be more evident in the coming years), through their different exploitation windows (generating, if demand is positive, high IRRs). This investment policy should boost Squirrel's top-line and results in the long term. The generation of positive FCF, coupled with debt raising, has generated an increase in cash of €10.1 at the end of 2023 to €14.7m (€8.4m excluding restricted cash).

Maturity schedule. Thousands of €. 31/12/2023 (Consolidated Annual Accounts). *

Year	Quantity	% of total
2024	19,651	42.9%
2025	8,243	18.0%
2026	9,582	20.9%
2027	4,955	10.8%
>2027	3,368	7.4%
Total	**45,799**	

* The financial debt of working capital facilities is not included, as we assume that these will be renewed at maturity.

Regarding the maturity schedule of financial debt, Squirrel Media Group has heavy commitments in the short term. Although these commitments can be met with the economic structure of the company (cash and operating cash flow generation), assuming favorable evolution of the business and positive sector prospects, they are considered demanding given the expansion and investment stage the group is currently in. In this regard, the new financing pending final closing in June 2024 to manage its working capital (credit facility) could further strengthen Squirrel's liquidity and with this its ability to continue to undertake its expansion plan.

Issuance

Squirrel Media Group carried out a bond issue in November 2023, to help fund its organic and inorganic growth policy. It is a €20m *bullet secured* bond program, maturing (this first issue) in November 2026. The target market is the MARF (Spain), under the regulatory framework of Spanish law.

The financing obtained through the bond is being used mainly to finance new corporate acquisitions and/or the addition of new films to the group's current catalogue. To this end, the group will also continue with the operations and financial strategy developed in recent years, i.e. M&A transactions carried out under its own resources or an equitable mix between financial and equity resources. This aspect is considered important by the Rating Agency, as this new financing could support the company in its expansion and growth process, while maintaining a balanced financial structure.

The bond issue is secured by a pledge of a chattel mortgage or first-ranking pledge on the intellectual property rights, and in particular, distribution, exploitation and ownership rights related to most of the group's current film catalogue (in favor of the bondholders). This pledge is published in the bond program's own register at the MARF and, in addition, Squirrel is committed to execute it in a public deed on the same date of disbursement of the issue (unless, by decision of the bondholders' commissioner, it is deemed to be executed at a later date).

In order to comply with the mortgage or pledge promise, Squirrel Media Group undertakes:

- To hold the film catalogue titles free of any liens or encumbrances at the date of subscription of the mortgage/pledge agreement. A negative pledge clause is also established in the contract, by means of which and on a general level (except for specific cases defined in the program), Squirrel Media may not constitute real or personal guarantees on any assets and rights already established in the mortgage/pledge associated with the film catalogue as collateral.
- To maintain a minimum coverage between the value of the assets pledged as collateral versus the entire bond program of at least 2x over the life of the bond, resulting in an overcollateralized transaction.
- To grant in favor of the commissioner of the bondholders, in a separate public deed, an irrevocable power of attorney so that he/she may, on behalf of the issuer: i) create the chattel mortgage or first ranking pledge on the film catalogue in the event that the group incurs in any event of early maturity or the obligations are not met in full when due, and ii) carry out as many acts as are legally necessary for the effectiveness of the mortgage/pledge.
- To publicize and communicate the existence of the mortgage/pledging agreement and the irrevocable power of attorney to Squirrel's current and future financial creditors. In addition, the basic information document (BID) will be posted on Squirrel Media's website and the auditor of the annual accounts will be notified.

The order of priority or ranking of the bonds would be determined by whether or not a mortgage/pledge is required, with two possible scenarios envisaged:

1. **During the life of the 'no' bond, there is no need to create a chattel mortgage or first-ranking pledge.** The bonds will have the status of *senior* "simple" bonds, *unsecured,* but with the personal guarantee of the guarantors, who are liable with all their assets to the bond investors.
2. **During the life of the bond 'yes' there is a need to create the security interest of a first ranking mortgage or pledge.** The bonds will have the status of *senior* unsubordinated bonds *secured* by the mortgage/pledge, in addition to the personal guarantee of the guarantors, who are liable with all their assets to the bond investors. In the event of insolvency of the issuer and with the constitution of the mortgage, the bonds would have preference and a special privilege for collection.

With regard to the guarantee established with the majority of the library available to the group, a wide variety is reflected in the different exploitation windows, with more than 1,300 titles available, including 131 films pending release and premiere in the next three years and with a long run in their different exploitation windows (20-25 years on average). The registration of the voucher program will include the list of films established as a guarantee.

Terms and conditions issuance	
Issuer	Squirrel Media, S.A.
Category	*Senior Secured* corporate bond
Date of issue	11/2023
Amount	Up to €20m (first issue of €5.1m)
Maturity	11/2026
Amortization	Bullet
Guarantee	Promise of mortgage/pledge on film catalog (minimum 2x coverage).
Interest	7% fixed
Covenants	Indebtedness limit
Purpose	Capex expansion
Market	MARF (Spain)
Legislation	Spanish Law

It should be noted that an independent valuation by KPMG of Squirrel's content as of 31/03/2022 has been used as the starting point, with an enterprise value (value of the portfolio that already includes the discount of the amounts pending payment for the films) of €89.8m. In addition, due to the time elapsed since the date of this valuation, the group has itself carried out a new valuation of its content portfolio as of May 2024. This gives it a value of over €120m, with a discount rate (WACC) of 9.09% considered, slightly higher than that used in the first valuation, given the higher rates we have at present. Therefore, we consider the value of the portfolio as sufficient to be able to establish the guarantee with the defined degree of coverage (double the bond program amount).

In addition to this, and to give greater confidence in the transaction, a specific economic and financial covenant has been established. During the term of the bond, the NFD/EBITDA ratio (using a calculation methodology similar to that used by EthiFinance Ratings) will be below 3x for Squirrel Media Group. We believe that meeting this figure would reflect the maintenance of a balanced economic and financial structure.

Recovery analysis

In order to analyze in greater depth the bond's recovery prospects in a hypothetical scenario of default by the group, Ethifinance Ratings has conducted an in-depth analysis in order to determine a hypothetical recovery rate. Internal information provided by Squirrel's management has been used to analyze the evolution of various films released in recent years in the different operating windows (cases with positive and negative returns).

Following this analysis, in the event of having to formalize the mortgage/loan with the films put up as collateral, we consider that the entire bond program (€20m) would be secured. Thus, even adopting a more conservative and prudent scenario with the consideration of discounts on the assets of 40-50%, the operation would be 100% covered, and would even be overcollateralized. Moreover, Squirrel Media's commitment to maintain assets valued at twice the value of the bond program provides greater security for the transaction.

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:

1. Annual Audit Reports.
2. Corporate Website.
3. Information published in the Official Bulletins.
4. 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. Principal methodology used in this research are :
  - Corporate Rating Methodology - Long Term : https://files.qivalio.net/documents/methodologies/CRA 190 V3 Corporate%20Methodology 2023-10-06.pdf
  - Corporate Rating Methodology - Instruments : https://files.qivalio.net/documents/methodologies/CRA 127 V2.Corporate Rating Methodology Instruments.pdf
- 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 provided ancillary services to the rated entity, but not to its related third parties. 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.