EthiFinance Ratings

TEKNIA MANUFACTURING GROUP SOCIEDAD LIMITADA

B48984090 | CORPORATE

BB+

ISSUER RATING
LongTerm

OUTLOOK
Stable

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Rating Action y Rationale

- EthiFinance Ratings affirms Teknia Manufacturing Group, S.L.'s "BB+" rating, maintaining its Stable outlook.
- Teknia Manufacturing Group, S.L. and its affiliated subsidiaries form an international group operating as a Tier 2 and Tier 1 supplier in the automotive components industry.
- The company's rating is supported by its presence in a sector with high barriers to entry. In this regard, Teknia has demonstrated sound management capabilities in a challenging industry environment over recent years, which reinforces its credit quality. Additionally, the Group benefits from a solid financial profile, highlighted by a controlled Adjusted Net Financial Debt/Adjusted EBITDA ratio (3.0x in 2024; Reported Net Financial Debt/Reported EBITDA: 2.1x), and an adequate level of interest coverage through EBITDA, despite some deterioration in recent years (Adjusted EBITDA/Adjusted Interest: 6.2x in 2024; 6.5x based on reported figures). This is further complemented by a positive assessment regarding the adoption of Environmental, Social, and Governance (ESG) policies.
- However, the rating is constrained by a business profile marked by a relatively limited size within the industry and a highly concentrated shareholding structure. In any case, the company's solid financial fundamentals and demonstrated management capabilities are expected to support the maintenance of its credit quality under current conditions, which underpins the Stable outlook assigned to the rating.
- In line with our new methodology, the automotive components manufacturing sector is assessed as having a medium-high ESG risk (sector heatmap score between 3.5 and 4.0), due to its environmental impact. As a result, the sector rating is adjusted downward by one notch.

  On the other hand, the company's own ESG practices are assessed positively (company ESG score between 1.0 and 1.5), leading to a favorable adjustment to the financial profile rating by half a notch.
- In assigning the rating, EthiFinance Ratings has taken into account the financial projections prepared by the agency for the 2025–2027 period, based on the guidance provided by Teknia, market valuations, and the agency's own assumptions. The company considers this information to be internal and confidential, and therefore it has not been disclosed in the report.

Issuer description

Teknia Manufacturing Group, S.L. is structured as a multinational group operating as a Tier 2 and Tier 1 supplier in the production of metal and plastic components for the automotive sector. Its activity is carried out through a wide range of technologies, including tube forming, stamping, aluminum injection, plastic injection, and machining. The Group operates 23 production plants across 13 countries and employs a workforce of 3,543 people (data as of year-end 2024). In 2024, the Group recorded consolidated revenue of €430.6 million (-6.3% YoY) and adjusted EBITDA of €47.3 million (-14.8% YoY), resulting in an adjusted EBITDA margin of 11.0% (-1.1 pp YoY). The Adjusted Net Financial Debt/Adjusted EBITDA ratio stood at 3.0x as of December 2024 (2.5x in 2023). Based on the reported figures for 2024, EBITDA amounted to €40.7 million (-18.5% YoY), with a reported EBITDA margin of 9.4% (-1.4 pp YoY), and a Net Financial Debt/EBITDA ratio of 2.1x (1.7x in 2023).

Fundamentals

Business Profile

Industry Risk Assesment

- **Industry characterized by high barriers to entry, although currently affected by the prevailing macroeconomic environment, which limits visibility regarding its future performance.**

Teknia operates within a sector fundamentally characterized by high barriers to entry, primarily due to the substantial investment requirements needed to meet the stringent technological and quality standards demanded. Following the recovery in production and demand after years marked by the impact of the pandemic (notably in 2020), the latest fiscal year was affected by a slight contraction. This was driven by several factors, including the consequences of ongoing armed conflicts in Europe, economic slowdown in key markets, and a lack of visibility—both in terms of regulatory developments and the implementation of emerging industry trends, particularly related to the adoption of new technologies such as the transition to electric vehicles. These uncertainties are having a direct impact on the investment plans of market participants. The short- to medium-term outlook for the sector is expected to remain shaped by these dynamics, with additional challenges emerging—most notably in relation to trade and tariff policies.

- **The automotive components industry presents medium to high ESG risks according to our methodology (sector heatmap score between 3.5 and 4.0).**

This results in a one-notch downward adjustment to the sector rating due to ESG considerations related to the industry. The sector has a moderate climate impact, linked to original equipment manufacturers (OEMs), but features a lighter production process that generates fewer GHG emissions than automobile assemblers. It is also a significant user of resources, particularly raw materials—a trend that intensifies with the shift toward electrification. In addition, the impact on pollution remains material, as the production process generates a considerable amount of waste, leading to a moderate impact on biodiversity. The industry exerts a high impact on suppliers, given the strong interdependence among actors across the supply chain. Regarding consumer impact, it is mostly indirect—except in the aftermarket segment. The industry is also economically relevant for states, serving as a key source of employment and contributing to growth. Regulatory pressure related to sustainability remains moderate for most players, with the exception of certain components linked to internal combustion engines.

Competitive Positioning

- **Adequate positioning as a Tier 2 supplier in the automotive sector; however, constrained by the Group's relatively small size within the industry at a global level.**

Teknia holds a solid position as an automotive components supplier, supported by a long-standing track record that strengthens its commercial relationships with key players in the automotive industry. Its client portfolio, composed of leading OEMs and Tier 1 suppliers with high credit quality, provides visibility and recurrence in the company's cash flow generation. Furthermore, the Group's broad multi-technology offering stands out as a differentiating factor, enhancing its competitive capabilities. However, despite sustained growth in business volume over its history, the Group remains relatively small in scale compared to the main global operators in the industry.

- **Diversified business model from both an operational and market perspective; however, it shows a certain degree of concentration in terms of customer base.**

Teknia demonstrates adequate geographical diversification, supported by a strong international profile (sales outside Spain by destination accounted for 86% of total revenue in 2024), with presence in the main global automotive markets, which strengthens its positioning within the industry. This international approach is further underpinned by the Group's production plants located across its three core regions: EMEA, NAFTA, and LATAM. However, the company shows a higher degree of customer concentration, with its Top 5 and Top 1 customers representing 44% and 21%, respectively, of total revenue in 2024. This concentration is partially mitigated by the strong reputation and high creditworthiness of its main clients. In addition, compliance with the demanding quality standards required by these operators contributes to the establishment of solid and stable long-term commercial relationships, while also serving as a significant barrier to entry for potential competitors.

Governance

- **Shareholding structure concentrated around the founding partner. Financial policy characterized by prudence in terms of leverage.**

The company's ownership structure is fully concentrated in its founding partner, who holds 100% of the share capital. While this supports the stability of long-term strategic goal-setting and implementation, it also limits the company's financial flexibility in terms of potential external support, should such needs arise. The management team has extensive experience in the sector and follows a strategy aimed at progressively increasing the Group's profitability, while gradually adapting its product offering to new mobility trends.

The Group maintains a conservative financial policy, as reflected in its ability to keep leverage at controlled levels despite the significant role of inorganic growth within its expansion model—consistent with the strategic approach followed by major sector players. Regarding its dividend distribution policy, while it does limit the reinforcement of the Group's equity base, the payout levels have not been considered excessive in recent years, with the exception of 2021 (209% in 2021, 56% in 2022, 40% in 2023, and 40% in 2024, based on dividend payments made in the given year relative to net income from the previous fiscal year).

- **Positive ESG policy.**

The Group receives a favorable assessment from EthiFinance Ratings across all three ESG dimensions (Environmental, Social, and Governance), with notable strengths in policy-related aspects (e.g., ISO 9001 and 14001 certifications covering all operations) and governance practices (e.g., the proportion of independent directors on the Board and the separation of the CEO and Chairperson roles). This assessment results in a positive impact on the Group's financial profile, reflected in an upward adjustment of half a notch.

Financial Profile

Sales and Profitability

- **Reduction in business generation during the latest fiscal year, which has impacted the company's operating margins; however, these have remained at adequate levels.**

Profitability. Main figures. Thousands of €	2022	2023	2024	24vs23
Turnover	384,568	459,463	430,599	-6.3%
Reported EBITDA (1)	40,877	49,891	40,683	-18.5%
Reported EBITDA margin	10.6%	10.9%	9.4%	-1.4pp
Adjusted EBITDA (2)	37,128	55,493	47,264	-14.8%
Adjusted EBITDA margin	9.7%	12.1%	11.0%	-1.1pp
EBIT	23,234	25,854	11,264	-56.4%
EBIT margin	6.0%	5.6%	2.6%	-3.0pp
Financial costs	-2,071	-5,075	-6,294	24.0%
EBT	22,212	19,446	3,887	-80.0%

(1) Operating result – depreciation and amortization charges – allocation of non-financial fixed asset grants – reversals of provisions ± other results + restructuring-related personnel compensation. (2) Reported EBITDA ± impairment and gains/losses on disposals of fixed assets + adjustment for operating leases.

Following the growth recorded in 2023, the Group's activity in 2024 was affected by delays in the launch of new projects, as well as by a contraction in industry demand—particularly during the second half of the year. As a result, revenue declined by 6.3% year-on-year, reaching €430.6 million at year-end 2024. Similarly, this slowdown in activity was reflected in the company's order intake, which amounted to €81.5 million in 2024, compared to €97.5 million in 2023.

Additionally, operating margins experienced a slight deterioration due to the increased weight of the Group's personnel structure relative to its business volume (28.5% of revenue vs 24.5% in 2023). As a result, the EBIT margin and adjusted EBITDA margin stood at 2.6% and 11.0%, respectively, in 2024—slightly below industry benchmark levels. In response, the company implemented a restructuring plan in 2024 aimed at streamlining its workforce structure and thereby improving operational efficiency.

The decline in operating results during the last fiscal year had a greater impact on the pre-tax result, due to an increase in financial expenses (€6.3 million vs €5.1 million in 2023), associated with a rise in gross financial debt and, additionally, an increase in the Group's average cost of debt (4.97% vs 4.16% in 2023).

While the company expects revenue levels to remain broadly stable in the short term compared to 2024, an improvement in the EBITDA margin is anticipated, supported by the efficiency measures implemented—particularly those related to personnel. Nevertheless, as of May 2025, the Group reported a 6% year-on-year decline in revenue and a 1% year-on-year increase in EBITDA, resulting in a 0.7 percentage point year-on-year reduction in the EBITDA margin.

Leverage and Coverage

- **Stable and controlled leverage levels over recent years, despite the deterioration in the NFD/EBITDA ratio recorded in 2024.**

With respect to leverage, the ratio has remained at manageable levels in the company's recent trajectory, considering the investment requirements inherent to its business model and the resulting impact on debt. This effect has been offset by the generation of operating cash flows. In this regard, further improvement in FFO contributed to a strengthening of the Group's cash position, allowing adjusted net financial debt to remain relatively stable in 2024 (+3.4% YoY).

However, the decline in adjusted EBITDA (–14.8% vs 2023) led to a deterioration in the Adjusted Net Financial Debt / Adjusted EBITDA ratio, although it remained at a controlled level of 3.0x at year-end 2024 (2.5x in 2023).

NFD/EBITDA. Thousands of €	2022	2023	2024
Bank debt	77,203	81,671	91,698
Financial leases	3,184	9,800	11,496
MARF notes	17,281	23,409	16,920
Reported Total Financial Debt	**97,668**	**114,880**	**120,114**
Non-Recourse Factoring	13,213	12,721	21,063
Fixed Assets suppliers and other	7,032	8,716	6,485
Provisions for personnel compensation (pension liabilities)	1,708	1,868	2,238
Operating leases adjustment	31,624	30,284	26,318
Adjusted Total Financial Debt	**151,244**	**168,469**	**176,218**
Cash and cash equivalents	31,872	31,450	34,493
Other liquid assets	412	414	512
Reported Net Financial Debt	**65,384**	**83,016**	**85,109**
Adjusted Net Financial Debt	**118,960**	**136,605**	**141,213**
Reported EBITDA	**40,877**	**49,891**	**40,683**
Adjusted EBITDA	**37,128**	**55,493**	**47,264**
Reported NFD/EBITDA ratio	**1.6x**	**1.7x**	**2.1x**
Adjusted NFD/EBITDA ratio	**3.2x**	**2.5x**	**3.0x**

Based on the figures reported by Teknia, the Net Financial Debt / EBITDA ratio stood at 2.1x as of December 2024, compared to 1.7x in 2023. While the company anticipates maintaining the reported leverage ratio close to 1x in the coming years, EthiFinance Ratings remains cautious in this regard, taking into account the significant increase in investment expected in the short to medium term, primarily driven by inorganic growth.

Cash Flow

- **Ability to generate operating cash flow on a recurring and growing basis in recent years.**

Cash flow. Main figures [1]. Thousands of €	2022	2023	2024
FFO	**24,349**	**40,250**	**26,429**
(+/-) Working capital variations	-7,015	-5,288	20,519
CFO	**17,334**	**34,962**	**46,948**
Payments for investments (-)	-15,484	-46,822	-42,821
Divestment proceeds (+)	13,573	2,688	1,355
FCF	**15,423**	**-9,172**	**5,482**
(+/-) Receipts/Payments related to equity instruments	139	91	22
Dividends	-6,000	-6,389	-5,611
Cash flow generated internally	**9,562**	**-15,470**	**-107**
Debt repayment	-25,303	-21,132	-28,560
New debt	28,938	36,244	31,710
Change in cash balance	**13,197**	**-358**	**3,043**
Cash balance at beginning of year	18,675	31,872	31,514
Cash balance at end of year	**31,872**	**31,514**	**34,557**

[1] Figures based on data reported by Teknia in its audited Financial Statements, prepared in accordance with Spanish accounting standards (Spanish GAAP).

The Group continues to generate recurring funds from its operations, with performance in recent years benefiting from effective working capital management—particularly in 2024. This resulted in a further improvement in operating cash flow, which rose to €46.9 million, compared to approximately €35.0 million in 2023. This strong cash generation enabled the company to fund investments that remained at levels similar to the previous year, leading to a return to positive free cash flow of €5.5 million at year-end 2024, compared to –€9.2 million in 2023. Free cash flow has also allowed the Group to meet its shareholder remuneration commitments, with internal cash generation reaching break-even levels. As a result, Teknia's reliance on external funding declined in the last fiscal year, despite the fulfillment of higher financial obligations. In this regard, the Group's proven ability to access external financing and its demonstrated financial flexibility throughout recent years are noteworthy strengths.

The company expects a reduced reliance on external financing in the short term; however, this would come at the expense of its liquidity position (–44% vs 2024, estimated as of December 2025). Additionally, despite anticipated improvements in working capital management, the significant increase in capex requirements—aimed at reactivating the Group's inorganic growth strategy—will, in our view, increase the relevance of potential external financial support.

Capitalisation

- **Adequate capitalization levels.**

Asset structure and Leverage. Thousands of €	2022	2023	2024	24vs23
Total Assets	290,775	327,572	325,417	-0.7%
Non-Current Assets	113,525	136,994	149,458	9.1%
Current Assets	177,250	190,578	175,959	-7.7%
NOF	79,889	92,171	74,078	-19.6%
Equity	91,944	102,984	95,992	-6.8%
Reported Total Financial Debt	97,668	114,880	120,114	4.6%
Reported Net Financial Debt	65,384	83,016	85,109	2.5%
Adjusted Total Financial Debt	151,244	168,469	176,218	4.6%
Adjusted Net Financial Debt	118,960	136,605	141,213	3.4%
Equity/Adjusted TFD	60.8%	61.1%	54.5%	-6.7pp
Reported NFD/Reported EBITDA (1)	1.6x	1.7x	2.1x	0.4x
Adjusted NFD/Adjusted EBITDA (2)	3.2x	2.5x	3.0x	0.5x
Reported EBITDA/Interests	19.7x	9.8x	6.5x	-3.4x
Adjusted EBITDA/Adjusted interests (3)	13.5x	8.6x	6.2x	-2.4x

(1) Operating result – depreciation and amortization charges – allocation of non-financial fixed asset grants – reversals of provisions ± other results + restructuring-related personnel compensation. (2) Reported EBITDA ± impairment and gains/losses on disposals of fixed assets + adjustment for operating leases.

The company presents a traditionally balanced asset structure, consistent with its business model, with non-current assets representing 46% of total assets as of year-end 2024. These are mainly composed of the Group's various production plants and the machinery required for its operations, recorded under Property, Plant and Equipment (€118.3 million). Within current assets, a significant portion relates to goods held for future sale, recorded under "Inventories" (€72.2 million vs €76.3 million in 2023), as well as trade receivables, reported under "Trade and other receivables" (€67.8 million vs €81.8 million in 2023). The decrease in both items, associated with the lower level of activity, was offset by an increase in non-current investments, resulting in total assets remaining broadly stable at December 2024 (–0.7% YoY).

In terms of the Group's financing structure, equity accounted for approximately half of total adjusted financial debt (54.5%) as of year-end 2024—levels we consider adequate despite the decline in this ratio during the last fiscal year. This decrease was the result of a combination of a slight increase in debt and a weakening of the equity base, primarily driven by the drop in net income (€3.1 million vs €14.0 million in 2023). It is also worth noting that the Group's equity position is partially affected by exchange rate movements in the markets where it operates—mainly in Brazil—resulting in a negative impact from currency translation differences of –€8.5 million in 2024 (–€4.6 million in 2023 and –€8.1 million in 2022).

Teknia presents an adequate interest coverage ratio (Adjusted EBITDA / Adjusted Interest), which stood at 6.2x in 2024. However, this figure represents an approximate 50% decline compared to recent years, such as 2022 (13.5x). This reduction has been driven by a progressive increase in financial debt, combined with the impact of a rising interest rate environment. The company anticipates a normalization of conditions in the short to medium term, which is expected to support the recovery of this metric.

Liquidity

- **Good liquidity.**

Teknia reports a ratio between its sources of funds (cash, liquid assets, and expected FFO) and its uses of funds (primarily short-term debt and capex) above 1x, a level considered reasonable. This is supported by a solid financial profile, leading to a liquidity assessment of Good.

Modifiers

Country Risk

- No country risk has been identified as a constraining factor, considering the markets in which the company operates.

Controversies

- No significant risks related to ESG controversies have been detected.

Main financial figures

Main financial figures [1]. Thousands of €.	2022	2023	2024	24vs23
Turnover	384,568	459,463	430,599	-6.3%
Reported EBITDA [2]	40,877	49,891	40,683	-18.5%
Reported EBITDA margin	10.6%	10.9%	9.4%	-1.4pp
Adjusted EBITDA [3]	37,128	55,493	47,264	-14.8%
Adjusted EBITDA margin	9.7%	12.1%	11.0%	-1.1pp
EBIT	23,234	25,854	11,264	-56.4%
EBIT margin	6.0%	5.6%	2.6%	-3.0pp
EBT	22,212	19,446	3,887	-80.0%
Total Assets	290,775	327,572	325,417	-0.7%
Equity	91,944	102,984	95,992	-6.8%
Reported Total Financial Debt	97,668	114,880	120,114	4.6%
Reported Net Financial Debt	65,384	83,016	85,109	2.5%
Adjusted Total Financial Debt [4]	151,244	168,469	176,218	4.6%
Adjusted Net Financial Debt [4]	118,960	136,605	141,213	3.4%
Equity/Adjusted TFD	60.8%	61.1%	54.5%	-6.7pp
Reported NFD/EBITDA ratio	1.6x	1.7x	2.1x	0.1x
Adjusted NFD/EBITDA ratio	3.2x	2.5x	3.0x	-0.7x
Adjusted FFO [5]	28,773	45,149	31,543	-30.1%
Adjusted FFO/DFN ratio	24.2%	33.1%	22.3%	-10.7pp
Adjusted EBITDA/Adjusted Interests [5]	13.5x	8.6x	6.2x	-4.9x

[1] Includes adjustment for operating leases. With regard to reported EBITDA, TFD, and NFD, no adjustment for operating leases is applied, as these figures are reported directly by the company [2] Operating result – depreciation and amortization charges – allocation of non-financial fixed asset grants – reversals of provisions ± other results + restructuring-related personnel compensation. [3] Reported EBITDA ± impairment and gains/losses on disposals of fixed assets + adjustment for operating leases. [4] Includes non-recourse factoring, provisions for employee benefits (pensions), and payables for fixed assets, primarily in accordance with EthiFinance Ratings' methodology. [5] Includes adjustment for operating leases.

Credit Rating

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

Rating Sensitivity

Factors that may, individually or collectively, affect the assigned rating:

- **Positive Factors in the long term (↑)**

Gradual normalization of the current economic and geopolitical environment, leading to stronger business generation and, consequently, greater global industry presence, which would enhance the Group's competitive positioning. Similarly, an improvement in operating profitability—surpassing sector benchmark thresholds (adjusted EBITDA margin: approximately 13%; EBIT margin: approximately 8%)—would be viewed positively. A reduction in leverage levels, resulting in an improvement in the Adjusted Net Financial Debt / Adjusted EBITDA ratio (reference average: below approximately 1.5x, including operating lease adjustments), would also support upward rating momentum. Additionally, an increase in financial autonomy, and therefore in the solvency ratio (Equity / Adjusted Gross Financial Debt), with a reference average above approximately 80% (including operating lease adjustments), would strengthen the financial profile. Improvement in ESG metrics would also be viewed favorably.

- **Negative Factors in the long term (↓)**

Worsening of the current macroeconomic context, leading to further deterioration in the Group's key financial metrics—particularly an increase in the Adjusted Net Financial Debt / Adjusted EBITDA ratio (reference average: above approximately 3.5x, including operating lease adjustments). A continued decline in interest coverage, with the Adjusted EBITDA / Interest ratio falling below the reference average threshold of approximately 6x (including operating lease adjustments), would also exert downward pressure on the rating.

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 - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.