

AA Application 6.9

ACCIONA, A BUSINESS PORTFOLIO IN CONSTANT EVOLUTION

Ana Barquero Redondo
Universidad Rey Juan Carlos

ACCIONA S.A. is one of the main Spanish companies on the IBEX 35, present in more than forty-five countries on five continents, dedicated to investing, developing and operating infrastructures and renewable energies, as well as other businesses not directly related to its main activity. Since its incorporation, ACCIONA has set up various directions for strategic development, thereby dynamically changing its scope (figure 1). These changes are a response both to the demands of the environment in which it operates and to internal financial situations and have had various consequences on economic profitability and other financial indicators, both at business and corporate levels.

Figure 1: ACCIONA's business portfolio, 2010-2020

	PERIOD		
	2010 - 2012	2013	2014 - 2020
A C T I V I T I E S	Energy: <ul style="list-style-type: none"> - Generation - Industrial, development and others Infrastructures: <ul style="list-style-type: none"> - Construction and engineering - Concessions Real estate: <ul style="list-style-type: none"> - Promotion - Estate - Parking lots Logistics and transport services: <ul style="list-style-type: none"> - Transmediterránea - Handling - Others Water and environment	Energy: <ul style="list-style-type: none"> - Generation - Industrial, development and others Infrastructures: <ul style="list-style-type: none"> - Construction and engineering - Concessions Services <ul style="list-style-type: none"> - Facility services - Handling - Waste collection and treatment - Logistic services Water	Energy: <ul style="list-style-type: none"> - Generation - Development, construction and others (no generation) Infrastructures: <ul style="list-style-type: none"> - Construction: Industrial and Concessions - Water - Services Other activities: <ul style="list-style-type: none"> - Transmediterránea - Real estate - Bestinver - Vineyards - Corp. and others
	Other businesses and finance: <ul style="list-style-type: none"> - Bestinver - Vineyards - Corp. and others 	Other activities: <ul style="list-style-type: none"> - Transmediterránea - Real estate - Bestinver - Vineyards - Corp. and others 	

Source: own making based on various reports from ACCIONA

In 2010, ACCIONA had six Strategic Business Units (SBUs): "Energy", "Infrastructures", "Real estate", "Logistics and transport services", "Water and environment" and "Other businesses and finance". This corporate structure was maintained until the end of 2012.

During this period, ACCIONA carried out two important development directions. On the one hand, in December 2012 it launched a vertical integration strategy by signing a 50-year concession contract for the management of Aigües Ter Llobregat (ATLL), which covers the entire water management process:



from the collection of the resource at its source to its delivery to the municipal reservoirs of the city of Barcelona, its metropolitan area and nine surrounding regions.

On the other hand, in 2011, ACCIONA sold the 17,147 spaces that make up its portfolio of parking lots in Spain, Andorra and Brazil. This strategy had a significant impact on its financial figures: the "Real estate" division, which included the car park business, saw its EBITDA fall by 91.7% between 2011 and 2012 (from 12 million euros in 2011 to 1 million euros in 2012).

Mainly due to the impact of this reorganisation, in 2013 the "Real estate" division stops being a separate SBU, and starts being part of the "Other activities" division (formerly "Other businesses and finance"). In addition, in the same year ACCIONA decided to boost its position in the services sector through the creation of the "Services" division (ACCIONA Service), which replaces and extends the activities of the former "Logistics and transport services": facility services, airport handling, waste collection and treatment and logistics services. As a result of this redefinition of the "Services" division, which seeks to focus it on more specific and limited activities, Transmediterránea will no longer form part of it, but will become part of the "Other activities" division, together with Real estate, Bestinver, wineries and other holdings.

Finally, in 2014 ACCIONA reorganised its business portfolio once again, grouping all its activities into the three business units that are still in place in 2020: its two main business lines are "Energy" and "Infrastructures", while the "Other activities" division includes those businesses not directly related to its core business. As a result, "Water" and "Services" are no longer divisions in their own, but are now part of "Infrastructures", SBU that also includes the "Construction" and "Industrial" sub-divisions.

This reorganisation was caused, on the one hand, by the small contribution of "Water" and "Services" division to the company's financial figures in 2013, representing 4.4% and 1.7% of EBITDA respectively. On the other hand, it was a way of generating synergies (mainly productive and financial and investment) among the different activities of the company by sharing resources and capacities.

Regarding the development directions implemented during this period, in 2016 the merger between ACCIONA Windpower (AWP) and Nordex was completed, consisting of the acquisition by Nordex of 100% of AWP's share capital. In exchange, ACCIONA became the main shareholder of the new company, with a 29.9% stake. This operation can therefore be classified as a strategy for restructuring the business portfolio, since ACCIONA is reducing its diversification (in this case, the production of wind turbines) by transferring its activities to Nordex, with which it has a long-term relationship.

The following year, in 2017, ACCIONA reached an agreement to acquire Geotech Holding Pty, an Australian engineering and construction group. The main objective of this union was to once again take advantage of the complementarity among the activities of both companies, now between ACCIONA Construction and Geotech, in order to create a platform for growth that would respond to the growing development of the Australian infrastructure market. ACCIONA Construction contributed its recognition in the execution of infrastructures of great technical and financial complexity and its capacity to manage large projects, while Geotech provided, among other things, a strong local implantation with a consolidated and stable activity and know-how of medium size projects.

The group's subsidiary also benefited from the integration of the value chain, as it offers clients a unique and global solution from the development to the final execution of large projects, as well as geographical complementarity, as ACCIONA Construction was present only in the states of Queensland and New South Wales, but Geotech is very present in Victoria and has a presence throughout the country. It is therefore a three-pronged strategy: it is a case of product development, market development and vertical integration.





Finally, in 2017, ACCIONA reached an agreement to sell its 92.7% stake in Transmediterránea to Grupo Naviera Armas. This transaction was completed in May 2018 and led to a 30.6% drop in EBITDA from "Other activities" in 2018 compared to 2017. This sale, which constitutes another case of restructuring of the company's portfolio, was carried out with the aim of focusing its business model on its main strategic lines of sustainable transport and water infrastructures and renewable energies.

As we have said, all these decisions are marked, among other things, by internal financial needs, and they have a clear impact on financial indicators. In the period 2010-2012, EBITDA grew steadily from 821 million euros to 1,125 million euros, mainly due to the constant investment made in the "Energy" division, which made it possible to alleviate the drastic fall in EBITDA in "Real estate" during these three years in the midst of the crisis in the sector. In 2013 EBITDA fell by 14.1% with respect to 2012, as a result of the fall in EBITDA in the "Infrastructure" and "Energy" divisions, which led to a decrease in investments made during the year and a consequent increase in divestments. 2014 began with a new decrease in EBITDA, which have increased by 14.5% over the last period described above, from 1,087 million to 1,245 million, with the good performance of the "Infrastructure" division standing out, which amply compensated for the lower contribution of "Energy" over the last few years.

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