



DOMINION

Q3 2024 Results analysis

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1. Introduction

1.1. Context

Macroeconomics continues to be marked by a series of events and trends that have impacted financial markets, providing investors and companies with a complex and challenging landscape. These include the wars in Ukraine and Israel, and the upcoming presidential elections in the United States, which will determine the future of the world's leading economy over the next four years. It is also worth mentioning the recent programme issued by the Chinese government with the aim of stimulating an economy that has been suffering from a certain slowdown for several years.

Inflation is once again the main protagonist, as has been the case in recent quarters. Europe's economy is somewhat weak, although the main economic indicators are keeping the spectre of a recession at bay, which is helping the main Central Banks to continue with their accommodative interest rate policy, a fact that has accelerated in the second half of the year and is likely to continue in the first quarters of 2025.

DOMINION is adequately positioned to face these scenarios thanks to its geographical and business diversification. However, there are some phenomena that have had an impact on operations and results as for example currency movements, especially during the third quarter of the year; and the change in interest rates, the reduction of which is expected to be reflected from 2025 onwards.

DOMINION's results for the first nine months of 2024 demonstrate the positive evolution of the business and are an important step towards fulfilling its 2023-2026 Strategic Plan. As indicated in the plan, DOMINION aims to simplify its activity by concentrating on businesses with higher margin profiles and divesting all activities with lower margins or those that are not aligned with its sustainability strategy.

Proof of this is the recent divestment of the industrial maintenance services business in Spain, agreed with Serveo Servicios, S.A.U. This transaction not only allows Dominion to divest activities with margins below the average profitability of the services segment, but also advances in its positioning in sustainable services with high added value for its industrial customers.

1.2. Inorganic and non-recurrent effects

Inorganic effect on turnover:

The inorganic effect for the quarter was -22.8 million euros (€-3.7M in Q3).

The additional revenue contributed by Gesthidro (2 months) since its acquisition took place at the end of February 2023.

Conversely, during the third quarter of 2023, the B2B2C business underwent restructuring aimed at maintaining or improving its profitability levels. The decision to divest physical retail outlets entails a reduction in device sales and thus an inorganic decrease in turnover, which will continue during the first three quarters of the year. This effect ends this quarter.

Other inorganic transactions

Subsequent to the end of the third quarter, on 22 October 2024, DOMINION signed an agreement with Serveo Servicios, S.A.U. to divest its industrial maintenance services unit in Spain, whose turnover and recurring EBITDA amount to €105m and €4.8m respectively. The value of the transaction amounts to approximately €27.5 million, which will be effective at the closing of the transaction expected during the fourth quarter of the year, after obtaining the authorisation of the Spanish antitrust authorities (CNMC). The capital gain, net of tax, expected for the year amounts to around €11.5m, and the inorganic effect on the company's sales will be reflected from the closing date of the transaction.

Payments for Corporate operations:

During the first nine months of the year, commitments made in the form of earn-outs were fulfilled:

- In January, €67 million was disbursed for the acquisition of INCUS's shareholding in the renewable energy business, as agreed at the end of 2022.
- Payments for earn-outs totaling approximately €8 million were also addressed, corresponding to Bygging India (acquisition in 2019) and small environmental services companies.
- No earn outs have been disbursed during the third quarter of the year.

Other payment commitments:

On March 26th, the company proceeded to purchase 2.6 million of its own shares with the purpose of being acquired, in the coming weeks, by the management team, as part of a plan designed by the company for the participation of its top executives in DOMINION's share capital (purchase of shares executed in June 2024). This purchase involved a disbursement of €11.7 million.

The liquidity contract represents an additional €0.5m cash outflow.

On 9th July, DOMINION paid a dividend of €14.7m to its shareholders, representing a distribution of 33% of the profit for the financial year 2023.

2. Economic financial information

2.1. Turnover

(Millions of €)	9M 2023	%	9M 2024
Consolidated Turnover	850.9	1%	856.3

DOMINION closes the third quarter of the year with a turnover reaching €856.3 million (€285m in Q3), representing a growth of 0.6% compared to the figure of the previous year.

Of this growth, +4.9% is organic growth, in line with the guidance established in the strategic plan; whereas inorganic growth has subtracted -2.7%, and is a consequence of the reduction of certain non-strategic activities, leading to lower device sales, following the decision to close stores in the second half of the financial year 2023.

The FOREX effect at the end of the period has been negative at -1.6%.

2.2. Operative Margins

(Millions of €)	9M 2023	%	9M 2024
Consolidated Turnover	850.9	1%	856.3
Contribution Margin	121.0	6%	128.2

Operating margins continued to grow, as we have seen in previous quarters. The contribution margin reached an all-time high of 15% of sales, 6% higher than in the same period of the previous year.

The focus on activities with higher margin profiles, as well as the divestment of physical points of sale and the consequent reduction in the sale of devices, continue to support a gradual improvement in the contribution margin. It should be noted that the comparison base includes non-recurring costs during Q3 2023 of €6.5M as a consequence of the restructuring of the B2B2C business.

2.3. EBITDA

(Millions of €)	9M 2023	%	9M 2024
Consolidated Turnover	850.9	1%	856.3
Contribution Margin	121.0	6%	128.2
EBITDA	100.4	7%	107.5
% EBITDA on turnover	11.8%		12.5%

EBITDA reached €107.5m, 7% higher than in the previous quarter, with an EBITDA to sales margin of 12.5%.

These figures continue to show an operating leverage of the business, with a stable and efficient central structure of the company (2.4% of sales). As in the case of the contribution margin, the lower sales resulting from the process of simplification of the company's activities have as a counterpart an improvement in the overall profitability of the business, as sales with below average margins are replaced by sales with higher profitability levels.

2.4. Depreciation & Amortization

(Millions of €)	9M 2023	%	9M 2024
Consolidated Turnover	850.9	1%	856.3
Contribution Margin	121.0	6%	128.2
EBITDA	100.4	7%	107.5
% EBITDA on turnover	11.8%		12.5%
Depreciation & Amortization	-46.6		-48.9

Depreciation and amortisation increased by €2.3m, mainly due to the amortisation derived from the growth and good performance of the mobile device leasing business.

Its growth, in any case, is lower than the growth of EBITDA and, therefore, represents an operating leverage for EBIT.

2.5. Financial expenses

(Millions of €)	9M 2023	%	9M 2024
Consolidated Turnover	850.9	1%	856.3
Contribution Margin	121.0	6%	128.2
EBITDA	100.4	7%	107.5
% EBITDA on turnover	11.8%		12.5%
Depreciation & Amortization	-46.6		-48.9
EBIT	53.9	9%	58.6
% EBIT on turnover	6.3%		6.8%
Financial Expenses	-22.8		-31.9

The 9 months financial result was -32 M€.

In addition to the increase in financial expenses compared to the same period of the previous year as a result of the current interest rate environment and an increase in the debt position due to the payment commitments undertaken during the first part of the year and the financing of the renewable projects portfolio, this figure includes € -2m of exchange differences, resulting from the variation of the different currencies.

It is foreseeable that the recent interest rate cuts by the European Central Bank, which are not yet reflected in these results, will have an effect in 2025.

2.6. Net profit

(Millions of €)	9M 2023	%	9M 2024
Consolidated Turnover	850.9	1%	856.3
Contribution Margin	121.0	6%	128.2
EBITDA	100.4	7%	107.5
% EBITDA on turnover	11.8%		12.5%
Depreciation & Amortization	-46.6		-48.9
EBIT	53.9	9%	58.6
% EBIT on turnover	6.3%		6.8%
Financial Expenses	-22.8		-31.9
EBT	31.0		26.6
Taxes	-2.6		0.9
Minority Shareholders	-0.1		-1.5
Net Comparable Profit	28.3	-8%	26.1
% Result on turnover	3.3%		3.1%
Discontinued Operations	-1.0		-6.0
Net Attributable Profit	27.3	-26%	20.1

"Comparable Net Result": it refers to the Net Result attributable before discontinued operations.

DOMINION achieves an attributable net profit of 20.1 million euros. This result includes:

- Higher financial expenses due to the interest rate environment and payment commitments in the first quarter.
- Lower corporate tax expense due to the application of negative taxable bases and temporary differences.
- A negative result from discontinued operations. Discontinued operations include the results of the Danish high metal structures company, Steelcon, and the financial expenses related to the Cerritos wind farm in Mexico.

Business segment highlights

2.7. Sustainable Services

Sustainable Services	9M 2023		9M 2024
Turnover	596.6M€	+3.0%	614.8M€
CM	65.1M€*	+19.2%	77.6M€

Sustainable Services closes the third quarter with a turnover of €614.8 million. At the global level, this represents a 3% growth in revenues, which in organic terms reached +8.2%, highlighting a very good evolution of the segment, well above the strategic guidance of 5% of general sales growth. Sustainable Services maintains its defensive character and, this growth together with its characteristic high recurrence rate, offers good visibility and future prospects.

The inorganic effect of the year is concentrated in this business segment; Gesthidro (+€0.6 million) and the inorganic/one-off effect of lower device sales following the restructuring of the B2B2C business (-€23.3 million in the first nine months). It should be noted that the lower device sales do not have a significant impact on margins. Forex subtracts 1% from total growth.

Regarding profitability evolution, the segment achieves a contribution margin of 12.6%, representing an improvement of 1.7% compared to the same period in 2023, thanks to the orientation towards businesses with higher profitability, such as Environmental Services. Additionally, contributing to this improvement in profitability is the decline in activities with reduced or zero margins, such as mobile device sales or lower value-added services.

This segment maintains a significant weight in terms of turnover (73%) and contribution margin (64%).

2.8. 360° Projects

360° Projects

Turnover	243.3€	-5.1%	231.0M€
CM	49.1€	-10.4%	44.0 M€

360° Projects achieves a turnover of €231 million, down 5.1% on the same period of the previous year. The impact of currency fluctuations played a significant role in this decline of -2.4%, reducing growth in organic terms to -2.7%.

This decline in like-for-like sales is due to the transitional period faced by renewable projects, with the start of execution in Italy being held during Q2 and Q3. On the other hand, industrial and social infrastructures continued the good trend of the last quarters. Among others, the high voltage lines project in Angola was completed and it was a particularly noteworthy quarter in the industrial area.

In terms of contribution margin, project margins remain high, specifically at 19.1%, well above the strategic guidance of 15%.

The backlog in the quarter increased slightly to €628m, with new additions in the Industrial Infrastructures area, with two major projects in the United States and Canada, for a combined amount of c.€80m.

2.9. Stakes in Infrastructures

Status	Project	Location	Technology	MWp	Ownership
In generation	Santa Rosa	Argentina	Biomass	18	100% (Global C.)
	Santa Rosa	Ecuador	Photovoltaic	4	100% (Global C.)
	Valdorros	Spain	Photovoltaic	4	100% (Global C.)
	El Soco	Dominican Republic	Photovoltaic	79	50% (Equity Method)
Held for sale	Cerritos	Mexico	Wind	66	100% (Global C.)
In construction	LATAM		Photovoltaic	281	Equity Method
	EUROPE		Photovoltaic	83	Global C.
In the pipeline	EUROPE and LATAM		Photovoltaic	2,841	Global C.
Status	Project	Location	Typology	Ownership	
In operation	Antofagasta	Chile	Hospital	15% (Equity Method)	
In construction	Buin Paine	Chile	Hospital	10% (Equity Method)	

The Infrastructure Participation segment closes the third quarter of 2024 with a turnover of €10.5 million and contributes €6.6 million in EBITDA to the traditional business, derived from 100% owned and generated infrastructures.

The infrastructures classified as “under construction in LATAM” have almost all been executed and are in the process of connection and, therefore, entry into COD and generation. The Cerritos wind farm has been energised and is in the process of being commissioned.

3. Other Information

3.1.Shareholder structure

Significant shareholders at Q3 2024 are:

Shareholder	Percentage
ACEK Desarrollo y Gestión Industrial S.L.	15.2%
Mikel Barandiarán Landin (CEO)	5.8%
Antonio María Pradera Jauregui (Presidente)	5.7%
Indumenta Pueri S.L.	5.6%
Corporacion Financiera Alba	5.6%
Elidoza Promocion de Empresas	5.6%
Mahindra & Mahindra	4.2%

This implies a free float of 51%.