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THE DECLINE AND RESTRUCTURING OF OHLA

– OHLA Turnaround



Bachelor's Thesis | Abstract

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THE DECLINE AND RESTRUCTURING OF OHLA

OHLA has been one of Spain's most important concession and public works companies since the early 20th century. Additionally, it achieved a significant presence across almost all of Latin America and the United States because of substantial growth at the end of the previous century. However, the accumulation of an elevated level of debt and the depletion of cash flow sources linked to some of its business segments led to a decline that still persists today.

The objective of this study is to analyze the causes of OHLA's decline and the responses implemented by the company from 2015 to the end of 2023, based on the framework of Robbins and Pearce (1992) retrenchment and recovery model. To this end, the study first examines the main academic literature on corporate decline and restructuring. Secondly, segmented analyses of OHLA's consolidated financial statements are conducted for different periods of the restructuring process, distinguishing between its previous situation, the actions taken, and its current state. This evaluation is conducted using economic-financial analysis tools. The fact that OHLA is a publicly traded company allows access to extensive and detailed information on the entire process.

The study is conducted through an analysis of the main academic literature in the field of corporate restructuring and the consolidated financial statements published by OHLA's parent company in the CNMV (Spain's National Securities Market Commission).

Keywords:

- Crises
- Decline
- Restructuring
- Economic-financial análisis

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Equations

$$\text{Equation 1} \quad \text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

$$\text{Equation 2} \quad \text{Quick Ratio} = \frac{\text{Receivables} + \text{Cash}}{\text{Current Liabilities}}$$

$$\text{Equation 3} \quad \text{Cash Ratio} = \frac{\text{Cash}}{\text{Current Liabilities}}$$

$$\text{Equation 4} \quad \text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Equity} + \text{Liabilities}}$$

$$\text{Equation 5} \quad \text{Financial Debt} = \text{Non-Current Financial Debt} + \text{Current Financial Debt}$$

$$\text{Equation 6} \quad \text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

$$\text{Equation 7} \quad \text{Operating working Capital} = \text{Operating Current Assets} - \text{Operating Current Liabilities}$$

$$\text{Equation 8} \quad \text{Return on Assets} = \frac{\text{Revenue}}{\text{Total Assets}}$$

$$\text{Equation 9} \quad \text{Asset Turnover} = \frac{\text{Revenue}}{\text{Total Assets}}$$

$$\text{Equation 10} \quad \text{Operating Margin} = \frac{\text{EBIT}}{\text{Revenue}}$$

Equation 11 Cost of debt ratio = $\frac{\text{Financial Expenses}}{\text{Interest-Bearing Liabilities}}$

Equation 12 Return on Equity = $\frac{\text{Net Income}}{\text{Equity}}$

Equation 13 Financial Leverage = $\frac{\text{Total Assets}}{\text{Equity}} \times \frac{\text{EBT}}{\text{EBIT}}$

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1 Introduction

1.1 Context and Justification

During the 21st century, the global economy has experienced plenty of crises that have assessed the limits of the resilience of companies and their abilities to adapt. It has been toughest in sectors which are highly cyclical in nature, such as construction, one of the most sensitive sectors when it comes to times of uncertainty since it is heavily reliant on credit, government spending and the stability of the overall economy.

In Spain, the construction sector had an over proportional weight in the economy during the previous years to the Great Recession and after the burst of the housing bubble it had a particularly disastrous impact. OHLA, as one of the leading players in the sector, was severely affected by this phenomenon.

This thesis has as its point of study, the OHLA case (previously OHL), which since the mid-2010s has been subject to a process of structural deterioration which has called into questioning its viability, a situation which persists to the present day.

1.2 Objectives

Using a study of the company's financial and strategic growth, the goal is to understand what factors led OHLA into crisis and what action they did to attempt to recover, using the corporate turnaround model proposed by Robbins and Pearce (1992) as a theoretical basis.

The main objective of this paper is to analyze the collapse and restructuring experience of the OHLA Group and assess the effectiveness of the strategies utilized in reviving its situation.

This was achieved by conducting a review of the most important academic literature on corporate turnaround, utilizing the two-phase model by Robbins and Pearce (1992) as theoretical framework. The model allows the OHLA case to be explained through the retrenchment and recovery phases. Secondly, an examination of publicly accessible data in the forms of financial and economic data has been conducted to identify internal and external forces that have contributed to the group's persistent decline.

Following this theoretical basis, the study aims to examine the company's restructuring measures taken between the years 2015 until 2023 and evaluate their conformity to the derived theoretical framework.

Briefly, this thesis aims to determine:

- What have been the key factors behind OHLA's failure.
- What restructuring measures have been taken and are still being utilized.
- What have been the outcomes after all these years of restructuring, determining whether the company has been able to enter the recovery phase or is still trapped in the retrenchment phase.

Artificial intelligence tools have been used to translate some texts, those with more complex and technical vocabulary, from Spanish into English. These tools have contributed to a more accurate and efficient translation process.

2 Conceptual Framework

This chapter provides an overview of the academic literature of a business turnaround according to Robbins and Pearce (1992) two stages models. How businesses tend to act when entering a decline stage.

During the twenty-first century, the world experienced two major economic crises: The Great Recession (2008-2013) and the COVID-19 pandemic (2020-2021).

The Great Recession was triggered by subprime mortgages, also known as junk mortgages or NINJA mortgages (No Income, No Job, No Assets), which carried a considerable risk while offering extremely low interest rates. This crisis had a global impact, causing severe damage across all sectors and markets.

The construction sector was one of the hardest hit globally (Abascal, 2017) due to the rise in raw materials prices, the reduction in bank credit available for projects, and the increase in unpaid debts, ultimately leading to a decline in sales. The OHLA Group, which operates in the construction sector, was severely affected by the crisis, entering a period of decline and subsequently adopting restructuring strategies that will be analyzed later.

In Spain, the Great Recession had a particularly deep impact on its economy. Like most developed countries, Spain was experiencing disproportionate growth in the real estate sector due to the expansion of bank credit aimed at housing construction, driven by an increase in prices and demand in a context of low interest rates.

However, when the Great Recession hit, credit contracts, housing sales plummeted, and the construction sector collapsed, leaving thousands of unfinished projects and triggering a wave of bankruptcies (El Mundo, 2012).

Before the crisis, the Spanish construction sector, in which OHLA was one of the main players, represented approximately 11% of the country's GDP (Trading View, s.f.), compared to an average of 6% in other European countries. This imbalance left the Spanish economy particularly vulnerable after the housing bubble burst, generating a domino effect in related industries (Martín, 2024).

On the other hand, Spain's public deficit soared. In 2012, the country was forced to request a financial bailout from the European Union for a total amount of 100 billion euros. The funds were mainly intended to clean up the banking system, which was heavily exposed to toxic assets due to the real estate bubble.

As a result of this injection of capital into the banking system, there were significant cuts in other sectors such as health and education, and especially in public works, a key area for companies like OHLA.

Subsequently, in 2020, the COVID-19 crisis emerged, which did not have the same intensity or impact as the previous one, thanks to changes in legislation aimed at avoiding the mass liquidation of companies. Among these measures, the facilitation of access to credit and procedures such as the approval of collective records for modifying work conditions, particularly suspensions (ERTEs), were highlighted. At the same time, the Spanish government extended the exemption from the obligation to apply for bankruptcy proceedings, and special state-backed

guarantee lines were established to facilitate access to transitional financing during the pandemic.

Despite the differences in their causes, both crises had similar outcomes: During the Great Recession, Spain experienced a significant increase in the number of bankruptcies (El Mundo, 2012), mostly involving limited liability companies, reaching a peak of 7,093 in the first quarter of 2013. Meanwhile, during the COVID-19 crisis, most bankruptcies involved individuals with no business activity, reaching 4,032 in 2020 (National Statistic Institute).

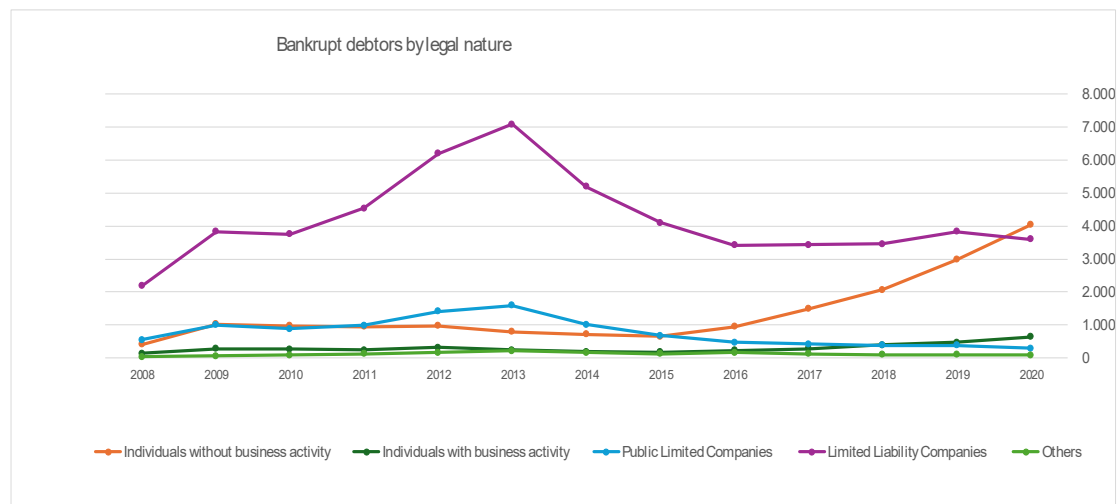


Figure 1 Bankrupt debtors by legal nature.

Source: Own elaboration by author based on (National Statistic Institute).

The corporate decline process Business decline refers to the progressive or abrupt deterioration of a company's performance, manifested in reduced sales, profits, or increased debt and other financial liabilities. This process is usually measured through sustained declines in economic or financial profitability, compared with sectoral indicators or benchmarks, such as risk-free profitability (Trahms et al., 2013).

The causes of decline can be internal, such as inefficient management or a lack of innovation; external, such as market changes or economic crises; or even a combination of both factors simultaneously. It is essential for a business to identify the origin and severity of the problem, as only through a precise diagnosis it will be possible to apply effective turnaround strategies. In general terms, the actions a company must adopt when facing a significant decline are divided into two main categories: retrenchment, focused on cost reduction and resource adjustment, and asset reduction; and recovery, aimed at regaining growth and long-term sustainability, maintaining operational efficiency in the case of internal decline, and strategic reconfiguration if the decline is external.

The decline situation must be identified so that the appropriate strategies can be applied depending on the problem, to achieve the desired results. These results can range from complete success, where the company exceeds its pre-decline performance; marginal survival, where the company manages to overcome the decline but does not reach its previous performance; and finally, failure, where the company fails to reverse the decline. This failure can lead to the liquidation of the business.

2.1 Responses to Corporate Decline

Corporate decline involves a reduction in a company's performance of such magnitude that, unless timely and sufficient action is taken, the company will eventually cease to exist. Once the causes and severity of the decline have been identified, the turnaround process begins, involving the entire organization. Unlike other temporary crises or processes, in a situation of decline, failure to act promptly and with the necessary depth will ultimately lead to the company's disappearance (Nueno, 1991). The strategies required to overcome a decline situation are known as turnaround strategies.

The academic literature on business turnaround originates from the pioneering studies of Schendel et al. (1976) and later developments by Hofer (1980), Bibeault (1982), and Hambrick & Schecter (1983). However, the main reference that has guided subsequent research is Robbins and Pearce (1992), which argues for the two-stage model: retrenchment and recovery. This model can be interpreted through the simple principle of taking one step back to taking two steps forward.

In the academic context, there have been different perspectives regarding turnaround strategies. Some researchers consider retrenchment as a reaction of businesses to early signs of an economic crisis, whereas others see it as a temporary tool. Part of a short-term operational plan rather than a long-term recovery strategy.

Both perspectives agree that there has been insufficient research on how retrenchment actions are integrated into the overall business recovery process. Instead, most attention tends to focus on the subsequent strategic shift, which is considered the true response to overcoming a crisis.

So, retrenchment is seen as a tactical component that is not always directly connected to the necessary strategic efforts a business needs to recover and grow again.

Researchers tend to place more importance on the strategic changes that occur after the retrenchment stage. They often ignore or underestimate the crucial role of retrenchment as a necessary and preliminary stage in the recovery process.

However, this perspective combines the effects of retrenchment with those of the growth strategies implemented afterward. When approached this way, the impact of retrenchment cannot be separated from the impact of the growth strategies that follow it in the overall business recovery process (Bibeault, 1982)

The main criticism of this view is that retrenchment is not adequately studied as an independent and essential phase of the recovery process when it can be the first key step in stabilizing a company in crisis.

In this regard, the study by Robbins and Pearce (1992) is significant for independently analyzing the two-stage model: retrenchment and recovery. This approach not only enables a discussion and understanding of the role of each phase but also clarifies how one directly influences the other in the business turnaround process.

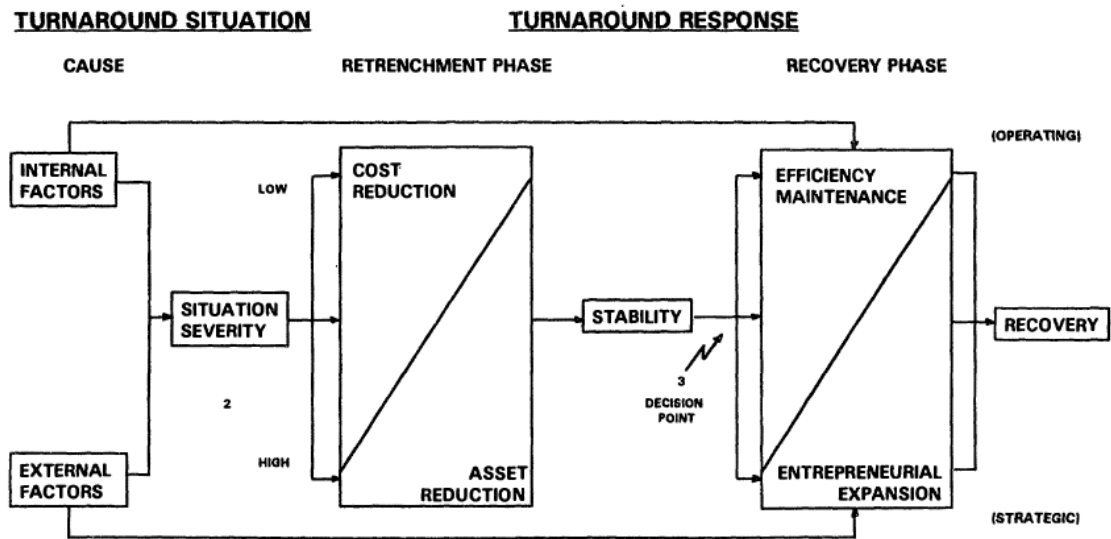


Figure 2 Two-phase turnaround model: *Retrenchment-Recovery*

Source: (Pierce, 1992).

Robbins and Pearce (1992) suggest that a situation of decline and crisis can be caused by either internal or external factors. Companies that want to survive must first implement the *retrenchment* stage.

The first stage consists of adopting cost-cutting measures or asset sales, where the extent of these measures depends on the severity of the crisis the company is experiencing. The greater the decline suffered, the more severe the crisis, and therefore, the more intense the *retrenchment* measures should be, meaning they are more orientated towards asset sales. The objective of this first stage is to stabilize the company's decline and free up sufficient resources for the subsequent recovery stage. Although *retrenchment* is generally considered a short-term strategy, it can remain the primary turnaround strategy when it not only stabilizes but also reverses the decline.

Once the situation has been stabilized, or as Professor Pedro Nueno puts it, "when the hemorrhage has been stopped" the *recovery* stage begins. This stage consists of implementing measures to restore the company's performance. In this second phase, different strategies must be adopted depending on the origin of the crisis. If the crisis stems from internal factors, the company must implement strategies aimed at improving operational efficiency. If the crisis is due to external factors, the company must reconfigure its strategy towards more profitable segments.

2.1.1 Retrenchment

The retrenchment phase is the first critical step in a turnaround process, with the objective of stabilizing both financial and operational situation of a declining organization. Its main objective is cost reduction, simplification of operations, and generating positive cash flow, allowing the company to gain time and resources to plan its recovery. Although often seen as a short-term

strategy, proper implementation can lay the foundation for reversing the decline and facilitating the transition to the recovery phase.

Key characteristics of Retrenchment, from a decline in sales margins to a closer imminent bankruptcy, (Pierce, 1992):

1) Cost reduction

Companies identify areas where resources are not being used efficiently and make decisions to cut or eliminate these costs. This includes reducing overhead expenses, eliminating redundant activities, and optimizing internal processes to maximize efficiency.

Another key strategy is workforce reduction, which may involve layoffs, early retirements, or relocating employees to more strategic areas. While these measures are often difficult and can affect organizational morale, they are necessary to align labor costs with the company's new financial reality.

Finally, negotiating with suppliers becomes an essential tool for minimizing costs. Companies seek to renegotiate contracts to obtain better payment terms, volume discounts, or rate adjustments, these actions not only relieve short-term financial pressure but also establish more sustainable relationships with suppliers eventually.

2) Strict cash flows control:

Strict cash flow control is essential to ensure a company's immediate liquidity, especially during periods of uncertainty or restructuring. A rigorous management of cash inflows and outflows provides the organization with a clear picture of its financial situation, preventing liquidity deficits that could disrupt daily operations.

This control enables the company to plan and prioritize payments while making informed decisions regarding new investments or necessary adjustments in its cost structure. By maintaining healthy cash flow, the company ensures it can meet financial commitments and operate efficiently, minimizing risks and improving stability in the short and long term.

3) Focusing on the Core Business:

Focusing on the core business is a strategy many companies adopt during restructuring or reorientation processes. It involves discounting product or service lines that are not competitive or profitable to concentrate on those that represent the company's core strengths. This decision allows the company to optimize resources, improve profitability, and strengthen its market position.

By concentrating on products or services that offer higher profit margins or better align with their capabilities, companies can increase operational efficiency and maximize the impact of their investments. This not only improves competitiveness but also facilitates more sustainable growth, centered on areas where the company has clear advantages over competitors.

4) Sales of Non-Essential Assets:

Selling non-essential assets is a common strategy during a company restructuring phase, as it frees up capital that would otherwise be tied up. This disinvestment process focuses on

eliminating assets that are not fundamental to the business core operations, improving liquidity and allowing reinvestment in more strategic areas.

Commonly sold assets include properties, machinery, or equipment that are not being used efficiently, meaning their maintenance and operation do not justify their presence in the company. Another example of disinvestment is closing unprofitable business units, which helps reduce operational costs and optimize available resources.

However, depending on the assets available to the declining company, it may become necessary to dispose of essential assets, which can ultimately undermine the company's strategic capabilities. In this regard, one of the most common measures during periods of decline is the sale-and-leaseback of real estate or machinery, that is, selling assets to obtain immediate liquidity, leasing them for a period, and later repurchasing them at an agreed price. This measure provides the company with time and liquidity, although it is not always successful.

As seen in the case of OHLA, the group found itself in the position of having to sell essential assets (OHL Concessions), which was its most cash-generating business unit. However, this measure helped reduce a significant amount of debt that was undermining the group's short-term sustainability.

Retrenchment has a significant impact on a company's recovery process, as it helps stabilize its financial and operational situation, facilitating long-term recovery.

First, retrenchment helps to control the company's decline by containing financial and operations deteriorations. By cutting costs and divesting non-essential assets, the organization establishes a stronger foundation from which it can begin to rebuild and focus on key growth areas.

However, retrenchment is not without risks. If implemented too aggressively, it can have negative effects, such as damaging the company's operational capacity, affecting employee morale, and reducing its competitiveness in the market, it is crucial that cost-cutting decisions are balanced to prevent the company from losing its revenue-generating capacity or key talent during the restructuring process.

The retrenchment stage should not be understood merely as a reactive tactic but as an essential strategy that enables companies to stabilize and prepare for future growth. Its success lies in finding the right balance between cost reduction and the preservation of critical capabilities for long-term competitiveness. Academic literature has identified that in nearly all corporate recovery processes, companies have implemented retrenchment strategies, as it is a natural reaction to the gradual loss of resources caused by decline (Barbero et al., 2017).

2.1.2 Recovery

The recovery stage is crucial in the business restructuring process, as it is the stage where companies aim to restore financial and operational stability after a period of decline. This phase focuses on implementing strategies to improve performance and position the company on a path of growth. According to the model by Robbins and Pearce (1992), the recovery phase will include strategic reorientation measures if the causes of the crisis are external, or alternatively, measures to improve operational efficiency if the causes of the crisis are internal.

During recovery, businesses concentrate on several key aspects to revitalize themselves, (Pierce, 1992):

1) Reinvestment in Strategic Areas

With the capital freed up during the retrenchment phase, the company can reinvest in its most promising operations. This includes upgrading technology, expanding profitable product lines, and optimizing operational processes. It may also involve strengthening its presence in key markets or diversifying into new segments.

2) Improving competitiveness

The recovery stage involves revising competitive strategies to adapt to new market conditions. Companies may introduce innovations in their products or services, improve quality and efficiency, or focus on a niche market with higher profit margins.

3) Strengthening organizational culture

Employee morale is a key factor during this stage. Businesses in the recovery phase must focus on maintaining and improving employee motivation and commitment. This is achieved through open communication, recognizing employees, efforts and providing training opportunities.

4) Improving cash flow

As the company regains stability, economic management must remain a priority to ensure continued cash flow improvement. This will facilitate debt repayment, investment in growth and the achievement of both short and long-term objectives.

5) Re-establishing relationships with stakeholders

During the recovery stage, businesses must also work on rebuilding and strengthening relationships with clients, suppliers, investors, and other key stakeholders. This may involve renegotiating agreements, improving service quality, or delivering additional value to crucial stakeholders.

Although the recovery phase is promising, it also comes with challenges. It requires precise execution and well-founded decision-making to prevent setbacks and ensure that the recovery is not only sustainable but also elevates the company to a performance level higher than before its decline.

2.2 Effectiveness

Among the key conclusions about retrenchment, the academic study by Robbins and Pearce highlighted several critical points. Firstly, cost reduction proved to be an essential measure for a successful turnaround. In more severe cases, businesses that complemented cost-cutting measures with asset divestment managed to meet their financial obligations. Additionally, the revenue generated from the sale of non-essential assets was allocated to reducing long-term debt, which in turn lowered financial expenses and enabled a faster recovery. In general, the combination of cost reduction and asset divestment yielded the best results in terms of business performance.

On the other hand, the study also explored the relationship between the causes of business decline and the strategies adopted to address it. Companies that attributed their decline to external factors, such as changes in the economic or competitive environment, were less likely to implement retrenchment strategies. This negatively affected their results, as they failed to take advantage of the positive impact that retrenchment can have on business performance. In contrast, companies that identified internal issues, such as operational inefficiencies or poor management, were more likely to adopt retrenchment measures to directly address the areas under their control. These companies achieved better results due to the effectiveness of this strategy.

However, the researchers concluded that, regardless of the cause of decline, all businesses in critical situations should consider an aggressive reduction of operating costs as an initial step in their recovery strategy. When implemented correctly, this measure can provide the necessary stability to overcome the crisis and progress towards the recovery phase.

The findings of Robbins and Pearce study demonstrated that the severity of a company's decline significantly impacts the relationship between retrenchment and business performance. In high-severity situations, where a company faces an immediate risk of insolvency, both cost reduction and asset divestment have a stronger impact on performance. However, cost reduction was found to be effective across all levels of severity, whereas asset divestment only produced significant results in extreme downturn scenarios.

An early diagnosis of the situation is crucial to determining the appropriate strategy. If the threat is imminent, it is essential to implement divestment measures alongside cost reductions to ensure stability and facilitate the company recovery.

Based on these findings, three key recommendations are proposed. Firstly, all businesses facing a decline should adopt retrenchment measures, regardless of the severity of their situation. Secondly, the initial response should focus on cost reduction as an immediate measure to stabilize finances. Lastly, in severe cases, these measures should be complemented by aggressive divestments to ensure the company's survival.

These conclusions reinforce the idea that retrenchment is a fundamental strategic tool in business decline, and its success depends on both accurately identifying the causes of the problem and adapting the measures according to the severity of the situation. In many cases, retrenchment remains the central element throughout the turnaround process, providing a stable foundation upon which businesses could develop sustainable growth strategies for the future.

Despite the large number of companies that have successfully overcome crises by following the two-stage model, recent studies have questioned their findings. Although Robbins and Pearce (1992) study was rigorous, it focused solely on business within a single industry (textile products) and a specific time (1976-1985). This limitation reduces the ability to generalize the findings to other sectors with different dynamics, raising doubts about the direct applicability of the model to companies operating in more complex contexts and situations.

The competitive environment plays a crucial role in determining the effectiveness of retrenchment strategies. These strategies tend to be less effective in growing sectors, where

accumulating resources and capabilities is essential to maintaining a competitive advantage (Morrow et al., 2004; Ndofor et al., 2013).

The source of competitive advantage also influences the impact of retrenchment strategies. Depending on the strategic orientation of a business, whether Ricardian or Schumpeterian, the outcomes vary. Businesses with a Ricardian orientation, whose competitive advantage relies on specific material assets, suffer greater harm from asset reductions than from cost reductions. On the other hand, businesses with a Schumpeterian orientation may struggle if they focus all their retrenchment efforts solely on cost reduction, as this could threaten their recovery potential (Lim et al., 2013).

The sequencing of actions also plays a key role. The simultaneous adoption of retrenchment and recovery strategies is less likely to succeed in businesses facing a severe decline or crisis due to their greater resource constraints compared to businesses in less critical situations. However, those that have managed to implement both strategies in a parallel and coordinated manner have achieved better results in their turnaround process (Schmitt y Raisch, 2013).

Regarding the intensity and timing of the response, acting quickly has positive effects on the turnaround, as it allows problems to be addressed before they worsen. However, an excessively aggressive approach to asset or cost reductions can be harmful. Early action reduces the need for more drastic measures in the future, which could otherwise compromise the company's long-term sustainability (Barbero et al., 2018; Tangpong et al., 2015).

The legal context and the severity of the crisis are also determining factors. Insolvent companies (those undergoing bankruptcy proceedings) that implement aggressive retrenchment strategies in terms of cost or asset reductions often fail in their recovery process. In such cases, survival depends on securing strong and substantial support from stakeholders, as well as having the necessary resources to navigate the insolvency procedure successfully (Rico & Puig, 2020).

Finally, recent trends in corporate recovery highlight the importance of analyzing territorial factors and the unequal distribution of resources across regions, which influence the ability to respond to crises. Emerging studies are challenging the retrenchment-recovery paradigm, emphasizing that corporate turnaround strategies depend heavily on the causes of the crisis, the accurate identification of the situation, and factors such as company size and stakeholder dynamics. Therefore, a one-size-fits-all approach is not always appropriate, and strategies that have been effective in one context may not necessarily yield the same results in another.

3 Methodology

This research adopts qualitative case study methodology to analyze OHLA's turnaround process. A case study is an in-depth examination of a specific entity, over a defined period. This approach is especially useful for studying complex situations, like a company's turnaround, because it combines quantitative data from financial reports with qualitative background information.

The case study enables a detailed exploration of OHLA's strategic response to decline, considering not only internal financial data but also external environmental factors. Through this approach, research seeks to understand how and why specific decisions were made and what impact they had on the company.

The analysis is structured using the two-phase model of Robbins and Pearce (1992). This model offers a clear framework to understand the stages OHLA has gone through, focusing on the retrenchment and recovery phases. Strategic decisions made during each phase and their outcomes are examined within this theoretical structure.

The consolidated annual accounts of the OHLA group have been analyzed, with a focus on two key financial statements: the balance sheet and the income statement. These reports offer a detailed view of the company's financial development, allowing for the identification of the most significant structural changes. When necessary, the analysis has been supplemented with information from the cash flow statement.

Additionally, external sources such as newspaper articles and expert analysis that describe OHLA's turnaround process have been consulted. These sources have helped contextualize the company's financial and strategic decisions and provided insights into external factors that influenced its restructuring.

The financial information analysis has been divided into three periods to identify patterns, problems, and solutions across different stages. The three periods are:

- 1) 2015-2017: Decline situation
- 2) 2018-2022: Restructuring situation
- 3) 2023: Actual situation

Financial ratios commonly used in academic and professional practice have been employed to assess liquidity, debt, solvency, and profitability. This analysis provides a clear view of the company's financial health and its evolution.

4 Analysis and Discussion of Results

The OHL Group, founded in 1911, now known as OHLA, is one of the six largest business groups in the construction and infrastructure sector in Spain because of the integration process of several companies over the years.

Over the decades, OHLA became a leader in large-scale projects, particularly in the development of transport infrastructures like highways and airports, as well as emblematic buildings both in Spain and internationally.

As of the end of 2023, the OHLA Group primarily operates in the construction sector, with residual activities in industrial and services (the latter classified in this financial year as a discontinued operation).

Its main sector has historically been closely tied to economic cycles, experiencing strong growth during expansion phases and severe contractions in times of crisis. The 2008 financial crisis, known as the Great Recession, marked a turning point that left deep scars on the industry, affecting both investment and project financing.

According to 2023 data, OHLA holds a 3.39% market share in the construction sector in Spain, where ACS leads with 38.66%. (Statista, s.f.)

This sector has historically been a growth but also one of the most vulnerable during recessions. Companies like OHLA, which thrived during the boom years, faced a drop in investment and were forced to restructure their business models to survive.

The construction sector, which peaked at 11.1% of Spanish GDP before the Great Recession, drastically shrank after the housing market collapse. It has yet to fully recover, and according to the latest data from 2023, it now represents 5.39% of Spanish GDP. (National Statistic Institute, September 2024)

4.1 Pre-Decline Situation

OHLA like all the main actors in the sector, took benefit from the boom and began an aggressive expansion to international markets, like South America or United States, being seen as the “less Spanish” construction company.

Their expansion was thanks to the easy access to credit. The group resorted to bank debt and bond issuances to finance new projects. This led to a significant increase in their debt from 2000 to 2008.

Even though the Great Recession hit hard to most of the construction companies in Spain. OHLA was able to remain relatively stable until 2014 thanks to its model focused on concessions and its international expansion.

In the previous years to the crisis, OHLA was the smallest Spanish listed construction company with a market capitalization under 1.000 million euros, ten times less than the first one, back then already ACS. But this panorama changed drastically, consolidating at the start of 2013

among the three Spanish construction companies by market capitalization. During the crisis period, its share rose by 158%. (Trading View, s.f.)

OHLA peaked in 2012, overcoming for the first time the barrier of 1.000 million euros in terms of attributable net profit and reaching revenue of 4.029.6 million euros. This results were impulse by OHL Concessions, contributing with a 71,1% of the groups EBITDA.

In 2013 exercise, the effects of the Great Recession are already starting to be felt, reducing their profit in 73,1% and its revenue by 8.6%. At the same time, OHLA counted with a net debt of 5.541,6 million euros, 32% more than the previous exercise.

This great decline derives from the construction business in the Spanish market, the public expenses reduced to minimums, 33.000 million of euros, being this the greatest reduction in Spanish history. Even though OHLA had a low exposition to the Spanish market, only 20% of their portfolio in 2013, Spain was still a base market with a stable revenue. So, when the government stopped tendering large projects, it affected the renewal of OHLA's project portfolio in Spain.

The credit crunch made financing more difficult, and OHLA increasingly relied on external funding to maintain its international expansion, further raising its debt.

In conclusion, the decline of OHLA is associated either with internal factors or external factors.

On the one hand, the internal causes the led the company to enter a state of decline are:

- Over indebtedness, their aggressive debt fueled growth became unsustainable when revenue dropped.
- Corruption scandals, the Mexico 2014 scandal damaged their reputation and investor confidence.
- Dependence on the concession model, some underperforming projects hurt their adaptability.

On the other hand, the external causes that led the company to enter a state of decline are:

- Financial global crisis in 2008, though they initially resisted, global economic slowdown eventually impacted infrastructure and growth.
- Political risks and international regulations, high exposure to regulatory changes in Latin America and the U.S. reduced profitability in key projects

Overall, the decline of OHLA was a consequence of a combination of risky strategic decisions, excessive dependence of debt and external factors that limited their flexibility to unexpected changes. Even though their concession model allowed them to resist the initial crisis, their lack of flexibility to adapt to new market conditions and reputational problems accelerated its decline.

Following, it will analyze the consolidated financial statements of OHLA which will allow us to understand and deepen the causes of OHLA's crisis. Particularly the excess of debt and the insufficiency of cash generation to face their financial obligations forced the company to initiate a process of restructuring.

4.2 Decline Situation

Even though OHLA already had prior signs of debilitation in previous years, 2015 was a point of inflexion for the group where both internal and external problems were accumulated, and the company entered decline.

At first glance, the financial results of this exercise did not evidence this situation. However, beneath this growth, an unsustainable financial situation was hidden. The group turned to targeted strategies that temporarily boosted their financial indicators.

A combination of both external and internal problems was pushing the company towards bankruptcy. Mainly internal problems such as the dependence on the concession model and the accumulated over-indebtedness, caused primarily by an external issue, the Great Recession. This convergence of factors led to a decline in sales, increased financial leverage, deterioration of results and weakening current ratio which indicated how the company was approaching insolvency. Therefore, it became necessary to implement Robbins and Pearce (1992) model starting by adopting retrenchment actions aimed at stabilizing the company's downward trajectory.

During 2015 OHLA adopted key measures to face this debt crisis; like an ampliation of capital, operational adjustments and selling strategic assets. This decision allowed to ease the short-term financial pressure, but it did not prevent the progressive deterioration of the company within the next years.

The rise in capital was worth 999.1 million euros. Using 632 million euros to reduce their debt and 340 million euros allocated to OHL Concessions for capital commitments of the new concessions awarded in Peru, Chile, and Colombia.

This measure managed to mitigate the problems OHLA was suffering from in a short time, being used as a temporary fix to reduce debt and to improve financial ratios.

To summarize the information of the previous balance sheet, a balance sheet grouped by financial categories has been developed. This will facilitate our analysis of evolution during this period of decline between 2015 and 2017.

OHL Group balance sheet grouped by categories	2015		2016		2015-2016	
	€	%	€	%	Variation	Expansion Ratios
Non-current assets	10.233.682	66,94%	8.589.067	66,48%	-1.644.615	0,84
Inventories	270.398	1,77%	211.887	1,64%	-58.511	0,78
Assets available for sale	833.272	5,45%	491.963	3,81%	-341.309	0,59
Receivables	2.853.704	18,67%	2.809.557	21,75%	-44.147	0,98
Cash	1.097.870	7,18%	817.872	6,33%	-279.998	0,74
Total Assets	15.288.926	100,00%	12.920.346	100,00%	-2.368.580	0,85
Equity	4.811.674	31,47%	4.042.893	31,29%	-768.781	0,84
Non-current liabilities	6.583.454	43,06%	5.453.906	42,21%	-1.129.548	0,83
Current liabilities	3.326.553	21,76%	3.203.539	24,79%	-123.014	0,96
Liabilities available for sale	567.245	3,71%	220.008	1,70%	-347.237	0,39
Total Equity+Liabilities	15.288.926	100,00%	12.920.346	100,00%	-2.368.580	0,85
OHL Group balance sheet grouped by categories	2016		2017		2016-2017	
	€	%	€	%	Variation	Expansion Ratios
Non-current assets	8.589.067	66,48%	1.665.253	13,64%	-6.923.814	0,19
Inventories	211.887	1,64%	152.404	1,25%	-59.483	0,72
Assets available for sale	491.963	3,81%	8.023.590	65,72%	7.531.627	16,31
Receivables	2.809.557	21,75%	1.933.028	15,83%	-876.529	0,69
Cash	817.872	6,33%	434.210	3,56%	-383.662	0,53
Total Assets	12.920.346	100,00%	12.208.485	100,00%	-711.861	0,94
Equity	4.042.893	31,29%	4.183.228	34,26%	140.335	1,03
Non-current liabilities	5.453.906	42,21%	1.124.122	9,21%	-4.329.784	0,21
Current liabilities	3.203.539	24,79%	2.759.411	22,60%	-444.128	0,86
Liabilities available for sale	220.008	1,70%	4.141.724	33,92%	3.921.716	18,83
Total Equity+Liabilities	12.920.346	100,00%	12.208.485	100,00%	-711.861	0,94

Table 1 Aggregated balance sheet by financial categories, OHLA Group period 2015-2017

Source: Own elaboration based on (OHLA Group, 2016) and (OHLA Group, 2017)

In terms of economic structure, during the 2015 and 2016 periods and on a more aggressive way during 2017, the company sold strategic assets, as part of their *retrenchment* strategy searching for the stability of their decline following Robbins and Pearce (1992) two stage model.

Between 2015 and 2016, assets were reduced. Mainly non-current asset, having a weight of 66,48%, something normal in this sector. Experiencing a variation of 2 billion euros, with an expansion ratio of 0.84.

This fall was due to the sale of assets, one of the main measures adopted by OHLA to try and solve their debt crisis. The decrease in non-current assets depends on two accounting items, "Property, plant and equipment" but mainly of "Investments accounted for using the equity method."

In property, plant and equipment it highlights the Mayakoba Hotel Complex in Mexico with a total of 384.998 thousand of euros that was reclassified as a "non-current asset classified as held for sale."

The accounting item "Investments accounted for using the equity method" descends in 1.154.635 million of euros, this is because of the sale of most of the shares of OHLA in Abertis Infrastructures S.A for a value of 1.355.973 million euros. Most of the funds obtained after this operation where destined in loan cancelation, reducing in this way their debt.

Current assets are also reduced. It is due to the sales of companies that were on a disinvestment process, where we can highlight the 28% sale of Metro Liger Oeste S.A for the value of 101.701 thousand euros.

The receivables are the only financial category which increases its weight even though they experience a decrease in volume. The decrease of "Trade and other receivables" that was balanced by "Current financial assets" due to their increase by the reclassification of 2,5% shares left in Abertis Infrastructures S.A on their investment portfolio. Finally, the most liquid asset, cash, also sees himself reduced either in volume or weight, reducing 26% with respect to the previous year.

Moreover, from 2016 to 2017, OHLA makes an even more aggressive sale of assets, reducing their non-current assets by nearly seven billion euros. It was reduced to 13,64%, having an expansion ratio of 0,19. Mainly because of the reduction to a minimum of "Concession infrastructure".

The reduction is due to the sale of 100% of OHL Concessions social capital to IFM Investors. The group decides as a last resort to sell their most profitable business model to solve its financial problems. According to Robbins and Pearce, OHLA adopted an aggressive asset reduction as they were closed to imminent bankruptcy. The group continued to have a significant debt and could not generate sufficient operating cash flow to deal with their financial obligations with no need to resort to more debt or asset sales.

This sale was classified as being held for sale, bringing it to current assets of the balance sheet. This made the weight of the short-term assets increased radically in both sales and volume not affecting at all the financial statements of 2017, as the assets are not affected immediately and would be reflected in the next year.

This radical change forced the group to change their revenue structure. OHLA began to depend exclusively on construction, an area in which there have been years presenting poor results. The area of Concessions aborted stability and recurring revenues, and the construction area presents higher risks, higher uncertainty, and less profit margins. Making OHLA more vulnerable to competence and economic cycles.

The equity of the company reduces nearly one billion euros, also reducing its weight with an expansion ratio of 0,84. Drawing attention due to the capital raise made during 2015. This capital increase was principally to reduce debt and for OHL Concessions, not making any direct impact on the company's equity.

The reduction of the equity on society was mainly due to the negative consolidated loss for the year 2016, the one decreased from a positive value to negative (432.338). The sales of strategic assets helped to reduce debt but at the same time reduced their sales drastically. Losing possible future revenue and weakening their business model. The shares in Abertis Infrastructure as well as the subsidiaries Obrascón Huarte Lain S.A and OHL Concessions, were the most eye-catching in the reduction of the consolidated loss for the year attributable to the parent.

In terms of debt, even though both non-current and current liabilities are reduced, this financial structure will change drastically during the next years. During 2015, non-current liabilities represented 43,06% of the total structure, nearly double that of the current one with 25,47%.

Thanks to the capital increase, OHLA reduced non-current and current weight, but despite the efforts, never to a sufficient extent.

The strategy of OHLA during the decline period from 2015 until 2017 was based on urgent measures to improve the financial situation, like capital raise and the sale of assets that can be classified as retrenchment strategies. Nevertheless, this decision did not tackle structural problems, and in the case of the sale of OHL Concessions, they weakened their business model even more. Despite efforts, debt and losses persisted and no structural turnaround occurred, remaining stuck in the retrenchment phase. The debt was transformed, the equity deteriorated, and they began to depend exclusively on the construction sector. This marked the decline of OHLA in the following years.

To complete the analysis of the measures adopted by the OHLA Group during its decline phase, a series of financial ratios have been calculated to evaluate the financial information.

	2015	2016	2017
Debt Ratio	0,69	0,69	0,66
Financial Debt	5.439.481	4.392.266	1.574.235
Non-Financial Debt	5.037.771	4.485.187	6.451.022
Current Ratio	1,30	1,27	1,53
Quick Ratio	1,01	1,06	0,34
Cash Ratio	0,28	0,24	0,06
Working Capital	1.161.446	907.732	3.642.097
Operating Working Capital	1.012.048	282.804	7.636.160

Table 2 Financial ratios, OHLA Group period 2015-2017.

Sources: Own elaborations based on (OHLA Group, 2016) and (OHLA Group, 2017).

Starting with the debt ratio, we appreciate how the debt is mainly financial one, but changes radically its composition over the studied periods thanks to the measures adopted by OHLA with the finality of reducing it and try to stabilize its decline before proceeding to the recovery phase.

According to the retrenchment stage in Robbins and Pearce (1992), this restructuring of financial debt represents a classic response to the decline, aiming to reduce financial pressure and gain short-term stability.

The financial debt is mainly made up of corporative bond issuances and debt with credit entities, OHLA main objectives is to reduce this debt that comes along with interest rates. This debt is highly reduced on a long-term leaving accounting entries such as "Bank borrowings" in minimums. However, part of it is transformed to a short term, reducing its payment term.

Contrary, the non-financial debt which includes operative's liabilities like "Trade and other payables" increases significantly in 2017 despite its decrease in 2016. This is mainly because of the increase in the liabilities associated with the non-current assets that are held for sale" and,

particularly, the ones related to OHL Concessions, this accounting item increased its weight from 11% and 5% in 2015 and 2016 to 64% in 2017.

Also, the current ratio during 2015 until 2017 was below the recommendations (1.5) showing certain liquidity problems. In 2017, even though the receivables and cash decreased, the high increase of the inventories dulls the rise of short-term liabilities because inventories increase more proportionally and make the ratio reach 1.53, being now 53% of current assets bigger than the current liabilities, the company does not have liquidity problems. However, this result is misleading, due to most of the current assets coming from the non-current held for sale. This improvement does not indicate a transition towards the recovery stage, as defined by Robbins and Pearce, but rather a temporary accounting effect stemming from asset sales.

This results in the current ratio, we can corroborate with the quick ratio and cash ratio. The quick ratio tries to eliminate the associated uncertainty with inventories being a more precise ratio than the liquidity one, because it only analyzes the most liquid assets excluding inventories which are the less liquid. The quick ratio needs to be around 1 to show an equilibrated situation. So, during the first two years the possible liquidity problems are eliminated by the quick ratio as it shows a result of 1.01 and 1.06, respectively.

Nevertheless, in 2017, this ratio suffers an intense fall until 0.34, this could indicate certain possibilities in not fulfilling its short-term payment obligations without recurring to the sale of less liquid assets. Being able to have possible problems of immediate liquidity. This deterioration of liquidity indicates that the company remained stuck in the retrenchment phase without effectively laying the groundwork for recovery, despite the aggressive asset reduction done during these years. Even though the general liquidity is 1.53, the majority comes from inventories, so it affects the quick and cash ratio.

In terms of cash ratio, the ones that study the active most liquid of the company, cash. Its optimum value is between 0.2 and 0.3, having an effective cash of 20-30% to pay its most urgent debts. During 2015 and 2016 it shows good value, not showing any sign of lack of liquidity even though the general liquidity ratio is not optimum. Even so, the drastic fall of the cash ratio until 0.06 in 2017 suggests that the company does not have sufficient cash to affront their immediate obligations, this could threaten its operational capacity without recurring to external finance.

Lastly, the working capital of the group shows itself positively during all the periods analyzed. Seemingly placing the company in a state of economic and financial equilibrium as they possess more current assets than current liabilities. In 2017, it experiences a big increase mainly due to the significant increase of the inventories after the sale of OHL Concessions.

Thus, during this 2015-2017 period, OHLA has adopted certain measures to reduce their financial debt, but at the same time has increased its dependence on operative liabilities and has translated part of its debt into a short term, increasing eligibility. From the perspective of Robbins and Pearce (1992), OHLA remained primarily in the retrenchment stage throughout this period, with limited signs of a structured strategy to move into recovery. The apparent improvement in general liquidity in 2017 is misleading, because it is due to the inventories after the sale of their concessions, whereas the indicators of immediate liquidity show a more concerning situation.

Between 2015 and 2017, OHLA also experienced a significant drop in sales. Sales were reduced from 2015 to 2016 at 23.5% and afterwards a less pronounced decrease, of 5.1% in 2017. This

indicates that the business encountered problems in cash generation, where its activities of engineering and construction were the most affected ones with a negative variation of 15.5%.

The gross margin also suffered deterioration. In 2015 it was situated with 41.57% over the sales, but in 2016 it fell drastically to 22.21%, this was due to the reduction of sales and the simultaneous increase of the cost of sales.

This cost of sales increased largely due to the unfavorable evolution of exchange rates, particularly in markets such as Mexico. The depreciation of local currencies against the euro raised material costs, leading to an increase in procurement expenses. Additionally, OHLA was forced to accelerate the completion of certain projects to meet contractual deadlines, which implied higher execution costs. This was further compounded by issues with “legacy” projects, especially abroad, which experienced budget overruns and contributed to the rise in cost of sales.

In 2017, it improved relative to previous years, placing itself with a 33.67% over sales but not reaching the position of 2015. This partial recovery indicated the company’s efforts to optimize costs; the cost of sales was reduced by a great number. This partial recovery indicates the company’s efforts to optimize costs, as the cost of sales was significantly reduced.

EBITDA, a key indicator of operating profitability, showed a negative evolution. Representing in 2015 a 22.13% over sales to -17.24% in 2016 representing not only the fall in sales, but also the rigidity in the business cost’s structure. Despite a slight rebound in 2017 to -2.10%, OHLA was still facing severe problems of profitability, which puts its long-term viability at risk. The negative EBITDA in consecutive years suggests the company was in a state of financial distress, struggling to generate positive cash flow from core operations.

As a response to this decline that is occurring, OHLA maintains its strategy for cost reduction, significantly cutting their operating expenses, mainly the ones of its exterior services and personnel expenses. Nevertheless, the strong reduction of the EBITDA was due to the fall in the operating income. The one that also makes the EBIT heavily reduce and count with a reduction in depreciations.

In terms of EBT, earnings before taxes, the negative impact was mitigated by the reduction of financial expenses, boosted by strategic disinvestments like the sale of shares in Abertis Infrastructures S.A. This share provided immediate liquidity but at the expense of reducing income generating assets, further compromising the company’s financial stability.

In conclusion, the consolidated net profit attributable to the parent company is minimum in 2015 and gets transformed into losses during the next two years. In 2017, even though sales continued to decrease, the increase of the gross margin and the reduction of costs allowed a slight operative recuperation, but it was insignificant to overcome the crisis.

Financial Profitability	2015	2016	2017
Return on Equity (ROE)	0,01	-0,11	-0,00
Asset Turnover	0,29	0,26	0,26
Profit Margin	0,16	-0,21	-0,04
Leverage Effect	2,01	4,03	4,44
Assets/ Equity	3,18	3,20	2,92
EBT/EBIT	0,63	1,26	1,52
Tax Effect	1,40	1,04	1,02

Table 3 Financial profitability, OHLA Group period 2015-2017

Source: Own elaboration based on (OHLA Group, 2016) and (OHLA Group, 2017).

Economic Profitability	2015	2016	2017
Return on Assets (ROA)	0,04	-0,05	-0,01
Asset Turnover	0,29	0,26	0,26
Profit Margin	0,16	-0,21	-0,04
Cost of Debt	0,09	0,02	0,05

Table 4 Economic profitability, OHLA Group period 2015-2017

Source: Own elaboration based on (OHLA Group, 2016) and (OHLA Group, 2017).

The ROE, *return on equity*, measures the capacity of OHLA to generate profits of its own equity. Its analysis is essential to understand if the operative and financial decisions of the company are generating or destruction the value of its *shareholders*.

For his decomposition, it has been used the following components: Assets turnover, profit margin, leverage effect and tax effect. It has also been calculated the ROA, *return on assets*, to complement the analysis.

During the period between 2015 and 2017, OHLA experienced a significant deterioration in its financial profitability. In 2015, the ROE was slightly positive, 1%, but in 2016 fell to -11% and in 2017 barely improved, being -0,3%.

In 2015, profit margin was 16%, a significant data point if we compare it with the standards of the construction sector, which usually are between 2% and 8%. Nevertheless, the assets turnover was low, 0.29, this indicates limited use of the business assets to generate revenue, for each euro of assets OHLA is generation 0,29 of sales.

The leverage effect was 2.01, this indicates OHLA was financed mostly from debt. Firstly, this leverage effect can be positive because debt can impulse financial profitability. However, the ROA was situated in 4% whereas the cost of debt was 9%. This negative difference reveals that the leverage effect is not profitable, the debt does not contribute to increases the profitability over their own equity, but it limits it.

In 2016, a contraction was produced in the operative margin until 21% reducing ROE to -0.11. Even though the asset turnover barely changed, the leverage effect increased to 4.03 thanks to the deterioration of the equity and the decrease in the benefits before taxes. This increased the financial risks, amplifying the losses over their own equity. For each euro of equity, there were more than 4 euros of assets financed by debt. But as this year they showed losses and economic profitability of -5%, interests that OHLA should pay became a burden. Also, the cost of debt descended to 2% but it was still superior, this confirms that OHLA was continuing to destroy value by means of debt.

In the next year, 2017, we observe a slight improvement with a profit margin of -4% and a return on equity of 0,3%. The asset turnover was maintained in 0,26 and the leverage increased to 4.44. The results were still adverse; the asset performance was still insufficient to cover the cost of debts.

It is concluded that the leverage effect during these years was not beneficial to OHLA, which lead to progressive destruction for the stakeholders. The debt was not being used to create value, it only increased the exposition to financial risk, without obtaining profits in exchange.

OHLA, therefore found himself on a progressive deterioration and despite the attempts at internal restructuring and aggressive sale of assets they couldn't deal with the debt they have been struggling with over years as well as dealing with projects with over costs, non-expected results and cancellation of some of the projects, as well as the accumulation of losses.

OHLA's decision to sell its concessions business and refocus their business model is part of a retrenchment strategy aimed at reducing debt to stabilize its decline. This move, while essential, does not yet make the company move towards the recovery stage according to the conceptual framework model, as the company has not yet stabilized its decline.

4.3 Measures implemented to overcome the decline.

With the finality to revert the decline and enter the recovery phase, 2018 was a transition year for the group. On the 12th of April 2018, the sale of OHL Concessions 100% social capital to IFM Global Infrastructure Fund with the aim of recovering its profitability and cash flow generation, significantly reducing their debt, and improving their liquidity.

This aggressive sale of assets aimed at stabilizing the decline and distancing from imminent bankruptcy was also a dangerous movement by the company as it debilitated their structure.

From this solid position, the group initiated a new stage focused on their construction model, focusing their efforts in generating sustainable cash flow and prioritizing profitability overgrowth.

The inflow of 1.991 million euros from the sale of OHL Concessions meant that, while its net debt at the end of the 2017 fiscal year stood at 943.5 million euros, by the end of 2018 it had shifted to -346.8 million euros.

To summarize the information given by the balance sheet, it has been elaborated a balance sheet grouped by financial categories, including expansion ratios, which will help to enhance the analysis and evolution of the group during this period, 2018-2022.

OHL Group balance sheet grouped by categories	2017		2018		2017-2018	
	€	%	€	%	Variation	Expansion Ratios
Non-current assets	1.665.253	13,64%	1.311.191	31,95%	- 354.062	0,79
Inventories	152.404	1,25%	136.912	3,34%	- 15.492	0,90
Assets available for sale	8.023.590	65,72%	142.489	3,47%	- 7.881.101	0,02
Receivables	1.933.028	15,83%	1.698.377	41,39%	- 234.651	0,88
Cash	434.210	3,56%	814.434	19,85%	380.224	1,88
Total Assets	12.208.485	100,00%	4.103.403	100,00%	- 8.105.082	0,34
Equity	4.183.228	34,26%	785.669	19,15%	- 3.397.559	0,19
Non-current liabilities	1.124.122	9,21%	888.861	21,66%	- 235.261	0,79
Current liabilities	2.759.411	22,60%	2.365.356	57,64%	- 394.055	0,86
Liabilities available for sale	4.141.724	33,92%	63.517	1,55%	- 4.078.207	0,02
Total Equity+Liabilities	12.208.485	100,00%	4.103.403	100,00%	- 8.105.082	0,34

Table 5 Aggregated balance sheet by categories, OHLA Group period 2017-2018.

Source: Own elaboration based on (OHLA Group, 2017) and (OHLA Group, 2018).

As we can appreciate in this transition year in the retrenchment phase, there have been lots of changes in the company's structure. Principally in the totality of the balance sheet, which has been reduced by 66,39%.

In the economic structure of the company, previously long-term assets dominated. However, due to the aggressive disinvestment OHLA has made over the last years has made their long-term assets reduce in volume, affecting in this way the weight on the structure.

The equity of the group shows an expansion ratio of 0.19, being a very drastic decrease. Mainly, due to deterioration and project losses which implicated significative negative adjustments, negative impact on legal disputes and provisions, negative results in the Industrial area, presenting the Development activity as suspended after doing several disinvestments and having

a negative adjustment of 549.868 million euros related to the sale of concessions. At the same time, NIIF15 and NIIF9 were applied and supposed the reduction of 410.3 and 5 million euros, respectively.

Social capital was also reduced by 4.1%, which was conducted using the freely available reserves and did not result in a reduction in shareholder contributions. OHLA at the same time decided to pay dividends worth 99.8 million euros with the finality to remunerate stakeholders for the sale of the concessions and compensating for the bad situation, maintaining trust in the market, and trying to stop the fall in their shares.

The company's debt remains concentrated in the short term. Although it was reduced by nearly 60% overall. Its bank debt was mainly cancelled and 25% of its bonds were repurchased, leaving its net debt at a negative value of 346.8 million euros. For the first time in 2018, the company showed a positive net cash position, meaning it had more liquid assets than debts.

Also, as of December 31, 2018, OHLA workforce totaled 18.373 employees, a 17% decrease compared to the 2017 financial year.

These measures were taken during 2018, asset liquidation, cost reduction, financial restructuring and refocusing on core business, aligning with the retrenchment stage in Robbins and Pearce (1992) turnaround model. These actions were reactive and defensive, aiming to stop the decline, generate liquidity, and reduce financial exposure.

In conclusion, the 2018 fiscal year represents a drastic reduction of its balance sheet, a net decrease in its debt, and a restructuring of its business model with a focus on construction.

OHL Group balance sheet grouped by categories	2018		2019		2018-2019	
	€	%	€	%	Variation	Expansion Ratios
Non-current assets	1.311.191	31,95%	1.304.302	35,99%	- 6.889	0,99
Inventories	136.912	3,34%	107.156	2,96%	- 29.756	0,78
Assets available for sale	142.489	3,47%	-	0,00%	- 142.489	0,00
Receivables	1.698.377	41,39%	1.657.416	45,73%	- 40.961	0,98
Cash	814.434	19,85%	555.442	15,33%	- 258.992	0,68
Total Assets	4.103.403	100,00%	3.624.316	100,00%	- 479.087	0,88
Equity	785.669	19,15%	622.863	17,19%	- 162.806	0,79
Non-current liabilities	888.861	21,66%	797.485	22,00%	- 91.376	0,90
Current liabilities	2.365.356	57,64%	2.203.968	60,81%	- 161.388	0,93
Liabilities available for sale	63.517	1,55%	-	0,00%	- 63.517	0,00
Total Equity+Liabilities	4.103.403	100,00%	3.624.316	100,00%	- 479.087	0,88
OHL Group balance sheet grouped by categories	2019		2020		2019-2020	
	€	%	€	%	Variation	Expansion Ratios
Non-current assets	1.304.302	35,99%	1.137.829	36,06%	- 166.473	0,87
Inventories	107.156	2,96%	86.253	2,73%	- 20.903	0,80
Assets available for sale	-	0,00%	-	0,00%	-	0,00
Receivables	1.657.416	45,73%	1.459.940	46,27%	- 197.476	0,88
Cash	555.442	15,33%	471.014	14,93%	- 84.428	0,85
Total Assets	3.624.316	100,00%	3.155.036	100,00%	- 469.280	0,87
Equity	622.863	17,19%	460.272	14,59%	- 162.591	0,74
Non-current liabilities	797.485	22,00%	833.460	26,42%	35.975	1,05
Current liabilities	2.203.968	60,81%	1.861.304	58,99%	- 342.664	0,84
Liabilities available for sale	-	0,00%	-	0,00%	-	0,00
Total Equity+Liabilities	3.624.316	100,00%	3.155.036	100,00%	- 469.280	0,87

Table 6 Aggregated balance sheet by categories, OHLA Group period 2018-2020

Source: Own elaboration based on (OHLA Group, 2018), (OHLA Group, 2019) and (OHLA Group, 2020).

During the following years, 2019 and 2020, OHLA continued its path in search of stability after its decline, aiming for profitability and cash generation through strict cost control. OHLA considered 2019 as a transitional year in preparation for 2020, which at that moment they believed should be a year of consolidation.

In the 2019 financial year. In terms of assets, all categories maintained a similar weight on the structure.

In terms of equity, the most notable aspect was the significant reduction in the result attributed to the parent company and its reserves, respectively, due to the accumulation of negative results from previous years.

The company's total liquidity was reduced, which affected net debt, showing a negative variation of 81.3%, standing at -55.4 million euros and increasing by 240.6 million euros.

The 2020 fiscal year continued along the operational path set in previous years. However, it was also marked by significant structural changes within the group, as well as the global impact of the COVID-19 pandemic.

From the balance sheet perspective, the company showed a continued trend of divestment. All asset categories registered negative variation, although, as in 2019, non-current assets increased their weight within the overall structure.

The company's equity declines, with an expansion ratio of 0.74. Additionally, the year's results saw a slight drop, mainly due to the pandemic's negative impact on the Construction, Industrial and Developments division, particularly in Europa and Latin America and due to valuation adjustments on debts owed by Grupo Villar Mir and Pacadar to OHLA.

On the other hand, the company's overall debt continued to decrease, improving its maturity profile. Long-term debt gained more weight while short-term debt decreased. During the year, the company amortized a bond issued in 2012 for a total of 73.3 million euros. This left OHLA with a total liquidity of 665.9 million euros, representing a negative variation of 15.1%. Net debt stood at 83.2 million. Additionally, a syndicated loan of 140 million was secured. These actions represent retrenchment through financial restructuring, another key component of the first stage.

In response to the challenges brought by the health crisis, the company implemented several structural changes. A Crisis Committee was established to roll out measures aimed at limiting the economic impact on the company. These included a Temporary Employment Regulation Scheme (ERTE), as well as voluntary salary reductions for board members. Senior management, executives, and managers.

One of the most significant milestones of the year was the entrance of the Amodio brothers into the company's shareholder's structure. They acquired a 16% stake and became reference shareholders. Together with Group Villar Mir and a group of bondholders, a recapitalization and refinancing operation was conducted, announced in early 2021. This operation made it possible

to postpone the maturity of the remaining bonds to 2025 and 2026 and led to a 105 million euros reduction in the company's leverage.

OHL Group balance sheet grouped by categories	2020		2021		2020-2021	
	€	%	€	%	Variation	Expansion Ratios
Non-current assets	1.137.829	36,06%	842.949	27,53%	- 294.880	0,74
Inventories	86.253	2,73%	100.158	3,27%	13.905	1,16
Assets available for sale	-	0,00%	32.515	1,06%	32.515	0,00
Receivables	1.459.940	46,27%	1.579.298	51,57%	119.358	1,08
Cash	471.014	14,93%	507.455	16,57%	36.441	1,08
Total Assets	3.155.036	100,00%	3.062.375	100,00%	- 92.661	0,97
Equity	460.272	14,59%	620.349	20,26%	160.077	1,35
Non-current liabilities	833.460	26,42%	675.843	22,07%	- 157.617	0,81
Current liabilities	1.861.304	58,99%	1.766.174	57,67%	- 95.130	0,95
Liabilities available for sale	-	0,00%	9	0,00%	9	0,00
Total Equity+Liabilities	3.155.036	100,00%	3.062.375	100,00%	- 92.661	0,97

Table 7 Aggregated balance sheet by categories, OHLA Group 2020-2021

Source: Own elaboration based on (OHLA Group, 2020) and (OHLA Group, 2021).

The 2021 fiscal year was marked by the consolidation of the Amodio brothers within the group, along with the rebranding of the company from OHL to OHLA and the initiation of a recapitalization and refinancing process.

In terms of assets, the overall figure decreased, in its non-current assets due to the sale of 65% of its stake in the concessionaire company Aguas de Navarra.

Furthermore, with an expansion ratio of 1.08 the company immediate liquidity increased. The fiscal year ended with a total liquidity of 842.3 million euros, representing 26.5% increase over 2020.

On the other side of the balance sheet, after three consecutive years of decline, there was a significant 35% increase in equity, mainly due to the restructuring process following the entry of the Amodio brothers. This recovery was supported by a return to profitability after five years of losses.

A capital reduction was approved and at the same time, there was a capital increase executed in two phases: one with preemptive subscription for 80 million euros and another without rights of 70 million. This operation strengthened the company's equity and improved its financial solvency.

The group's liabilities continued to decline and lost weight within the financial structure. The decrease in long-term debt mainly stemmed from the "Corporate bond issues" due to the issuance of new bonds and the cancellation of previous ones. Bonds maturing in 2025 were partially repurchased, resulting in a 97.5 million reduction in financial debt. As a result, the company's net debt stood at -318.8 million, meaning the company held more liquid assets than debt.

The entrance of the Amodio brothers marked the beginning of a strategic shift towards recovery, but it occurred while the company was still undergoing retrenchment. Structural cost-cutting and balance sheet clean-up were ongoing, and profitability was not yet fully restored.

OHL Group balance sheet grouped by categories	2021		2022		2021-2022	
	€	%	€	%	Variation	Expansion Ratios
Non-current assets	842.949	27,53%	829.934	25,98%	- 13.015	0,98
Inventories	100.158	3,27%	107.089	3,35%	6.931	1,07
Assets available for sale	32.515	1,06%	28.814	0,90%	- 3.701	0,89
Receivables	1.579.298	51,57%	1.759.166	55,07%	179.868	1,11
Cash	507.455	16,57%	469.311	14,69%	- 38.144	0,92
Total Assets	3.062.375	100,00%	3.194.314	100,00%	131.939	1,04
Equity	620.349	20,26%	557.255	17,45%	- 63.094	0,90
Non-current liabilities	675.843	22,07%	648.325	20,30%	- 27.518	0,96
Current liabilities	1.766.174	57,67%	1.988.692	62,26%	222.518	1,13
Liabilities available for sale	9	0,00%	42	0,00%	33	4,67
Total Equity + Liabilities	3.062.375	100,00%	3.194.314	100,00%	131.939	1,04

Table 8 Aggregated balance sheet by categories, OHLA Group 2021-2022

Source: Own elaboration based on (OHLA Group, 2021) and (OHLA Group, 2022).

During 2022, despite still being affected by COVID-19 pandemic and the outbreak of the war between Ukraine and Russia, was a positive year for OHLA. The company achieves solid results, improving its operating performance and confirming the positive trend the group has followed since 2018. OHLA continued to consolidate its margins and showed a strong commitment to achieving operational and financial stability. According to the Robbins and Pearce (1992) model, this reflects the characteristics of a recovery phase where the company, having partially completed retrenchment, starts rebuilding its competitive position and investing in future growth.

The balance sheet grew again after seven years of continuous declines. In terms of long-term assets, there was a slight decrease, with an expansion ratio of 0.98. However, it is worth highlighting the increase in the “Concession Infrastructure” line item, indicating that the group is gradually reinforcing its concessions activity once again.

On the liabilities and equity side, the groups equity decreased due to a return to negative results, At the same time, total debt increased overall, thereby becoming more demanding in terms of maturity. Long term debt decline, mainly due to the cancellation of the ICO loan for 54.5 million and the partial repurchase of bonds for 44.6 million, while short-terms debt increased, largely driven by the “Trade and other payables” line item. As a result, net debt experienced a positive variation of 85.8 million euros. This imbalance suggests that while some recovery initiatives were being pursued, the company remained exposed to financial vulnerabilities, showing that the transition from retrenchment to recovery was still fragile.

It is worth highlighting the increase in revenue, which surpassed the 3 billion marks, as well as a 15.6% increase in new contracts awards.

Overall, the financial years since 2018 reflect a clear intention to redirect the company. However, efforts to reduce debt and improve the financial structure have coexisted with a persistent difficulty in generating sustainable profits through the core business. This suggests that, beyond

accounting improvements, the structural decline has not yet been fully reversed. This misalignment suggests that the recovery stage was premature as Robbins and Pearce emphasize the importance of completing retrenchment before starting recovery.

To complement the analysis of the balance sheet evolution, a series of financial ratios have been calculated to assess the economic and financial position of OHLA more precisely over the restructuring period.

	2018	2019	2020	2021	2022
Debt Ratio	0,81	0,83	0,85	0,80	0,83
Financial Debt	740.958	729.108	749.119	523.509	467.577
Non-Financial Debt	2.576.776	2.272.345	1.945.645	1.918.517	2.169.482
Current Ratio	1,15	1,05	1,08	1,26	1,19
Quick Ratio	1,03	1,00	1,04	1,18	1,12
Cash Ratio	0,34	0,25	0,25	0,29	0,24
Working Capital	363.339	116.046	155.903	453.243	375.646
Operating Working Capital	- 316.821	- 326.005	- 195.339	- 7.031	27.642

Table 9 Financial ratios, OHLA Group period 2018-2022.

Source: Own elaboration based on (OHLA Group, 2018), (OHLA Group, 2019), (OHLA Group, 2020), (OHLA Group, 2021) and (OHLA Group, 2022).

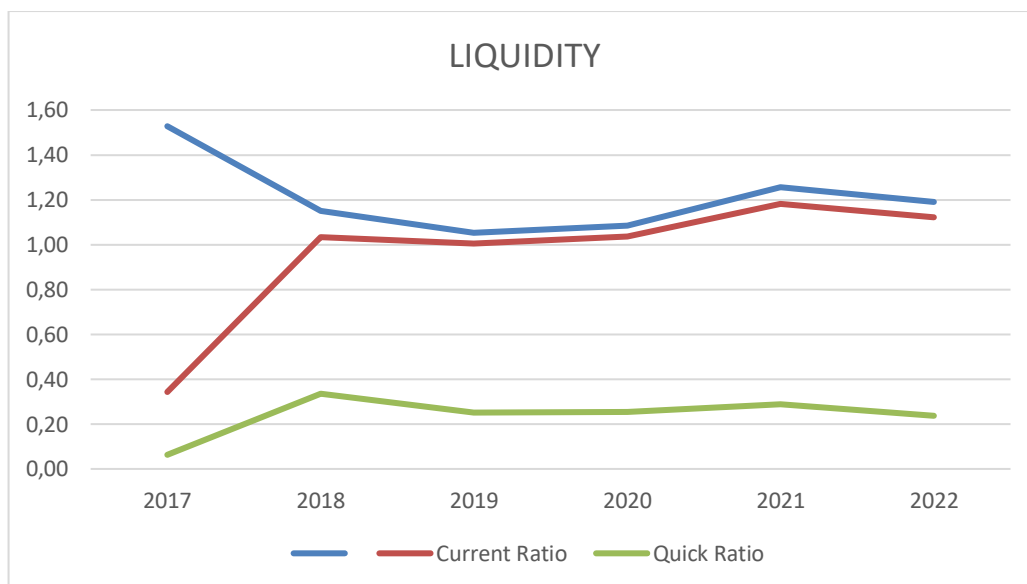


Figure 3 Liquidity evolution of the OHLA Group, period 2017-2022.

Source: Own elaboration based on (OHLA Group, 2017), (OHLA Group, 2018), (OHLA Group, 2019), (OHLA Group, 2020), (OHLA Group, 2021) and (OHLA Group, 2022).

In the 2017 fiscal year, OHLA initially appeared to have a strong general liquidity position (1.53). However, this was distorted due to the classification of its concessions as held for sale, which

impacted both current assets and current liabilities. When looking at the stricter ratios, the quick and cash ratio, which excludes inventories, it becomes evident that the group was experiencing a clear lack of immediate liquidity, with values of 0.34 and 0.06, respectively.

However, in 2018, the sale of concessions was finalized, resulting in a significant inflow of liquidity from the company. This led to a notable reduction in inventories and an increase in available cash. Consequently, the ratios evolved in the opposite direction. While general liquidity decreased significantly, due to a greater reduction in current assets than in short-term debt, dropping to 1.15 (a level considered suboptimal as it makes the company reliant on its collection and payment terms), both the quick ratio and cash ratio improved drastically. They rose to 1.03 and 0.34 respectively, placing them within optimal terms.

The company's general liquidity bottomed out in 2019, barely staying above the critical threshold, with a value of 1.05. From 2020 onward, the situation slightly improved, with a more notable recovery in 2021, as assets increased while current liabilities continued to decrease. However, it dropped again the following year to 1.19.

The quick ratio, meanwhile, remained stable and close to optimal levels throughout the period. Similarly, the cash availability followed a comparable trend. This evolution, following the sale of the concessions, strengthened the group's cash position, although it did not result in robust liquidity, leaving a certain degree of vulnerability to unexpected financial shocks.

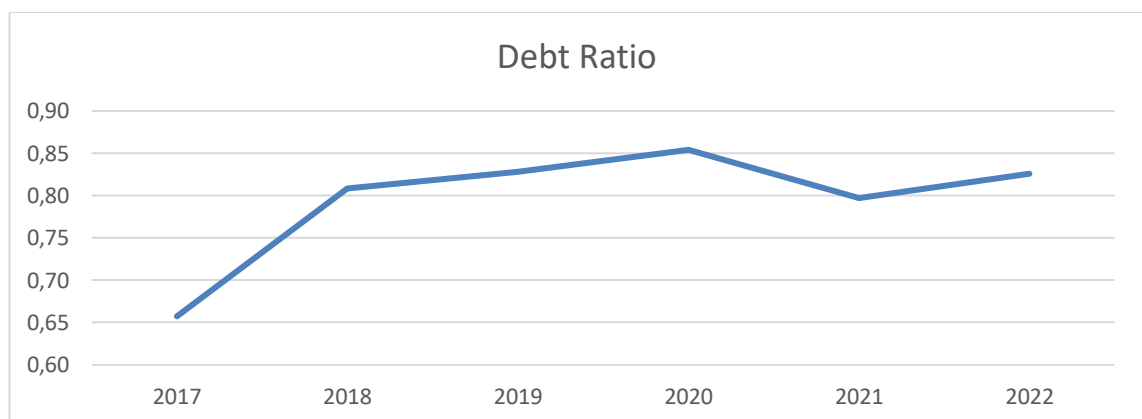


Figure 4 Debt evolution of the OHLA Group, period 2017-2022.

Source: Own elaboration based on (OHLA Group, 2017), (OHLA Group, 2018), (OHLA Group, 2019), (OHLA Group, 2020), (OHLA Group, 2021) and (OHLA Group, 2022).

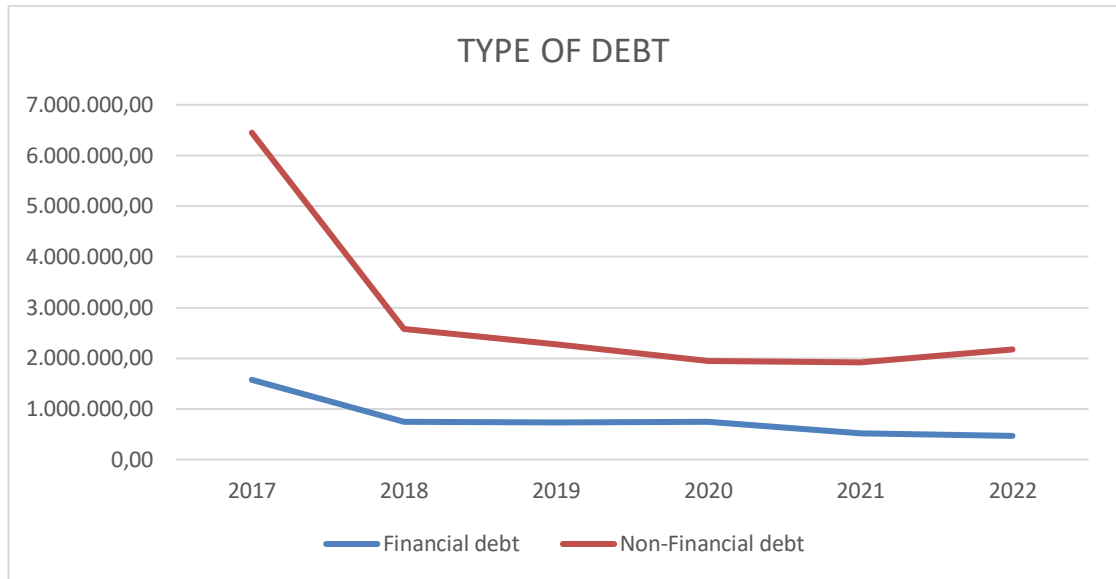


Figure 5 Evolution of the type of debt of the OHLA Group, period 2017-2022.

Source: Own elaboration based on (OHLA Group, 2017), (OHLA Group, 2018), (OHLA Group, 2019), (OHLA Group, 2020), (OHLA Group, 2021) and (OHLA Group, 2022).

During the period analyzed, OHLA's debt ratio increased significantly, rising from 0.66 in 2018 to 0.81 in 2018. The increase might seem contradictory, as the group's total debt decreases substantially. However, the rise is explained by the fact that the reduction in equity was proportionally greater than the reduction in liabilities, directly impacting the deterioration of the ratio.

The debt reduction was due to the sale of OHL Concessions, an operation that enabled the group to cut its total debt by nearly 60%. This reduction affected both financial and non-financial debt. Nevertheless, the divestment also meant the loss of a strategic asset, which triggered a sharp decline in equity and, consequently, an increase in the debt ratio, reflecting a more fragile financial structure.

Through the remaining years analyzed, the debt ratio remained relatively stable, fluctuating between 0.80 and 0.85. This suggests that OHLA is undergoing a transition period, attempting to strengthen its construction division while maintaining a highly leveraged and structurally weak financial position in terms of autonomy.

Despite this apparent stability, the composition of the debt changed significantly. On the one hand, financial debt progressively decreased, from 740 million in 2018 to 467 million in 2022. As a result of a deleveraging strategy initiated after the sale of OHL Concessions, complemented by refinancing operations.

However, this improvement in the financial debt contrasts with the stability and eventual rebound of non-financial debt, which declined until 2021 but rose again in 2022. This increase was driven by a context marked by the COVID-19 pandemic, which disrupted the group's daily operations, along with rising costs in the construction sector.

The fact that the debt ratio did not improve despite the reduction in total debt is due to the group's still weakened structure. Additionally, a significant portion of the funds obtained from the capital increase following the entry of the Amodio brothers was used to continue paying down liabilities rather than investing in new assets, which limits the growth of the company's equity.

Financial Profitability	2018	2019	2020	2021	2022
Return on Equity (ROE)	-2,01	-0,23	- 0,33	0,01	-0,17
Asset Turnover	0,71	0,82	0,90	0,91	0,90
Profit Margin	-0,19	0,00	0,00	0,01	0,01
Leverage Effect	9,03	57,73	102,07	8,52	-9,78
Assets/ Equity	5,22	5,82	6,85	4,94	5,73
EBT/EBIT	1,73	9,92	14,89	1,73	-1,71
Tax Effect	1,02	0,82	0,82	0,14	0,54

Table 10 Financial profitability, OHLA Group, period 2018-2022

Source: Own elaboration based on (OHLA Group, 2018), (OHLA Group, 2019), (OHLA Group, 2020), (OHLA Group, 2021) and (OHLA Group, 2022).

Economic Profitability	2018	2019	2020	2021	2022
Return on Assets (ROA)	-0,14	0,00	0,00	0,01	0,01
Asset Turnover	0,71	0,82	0,90	0,91	0,90
Profit Margin	-0,19	0,00	0,00	0,01	0,01
Cost of Debt	0,11	0,08	0,07	0,17	0,15

Table 11 Economic profitability, OHLA Group period 2018-2022

Source: Own elaboration based on (OHLA Group, 2018), (OHLA Group, 2019), (OHLA Group, 2020), (OHLA Group, 2021) and (OHLA Group, 2022).

To further complement the analysis, both financial and economic profitability ratios have been calculated.

During the period from 2018-2022, OHLA's return on assets (ROA) showed an evolution that clearly reflects the group's operational fragility following its deep restructuring process. In 2018, the figure was particularly negative, at -0.14, resulting from a severely deteriorated profit margin of -0.19. This was due to significant structural costs, negative results, and the loss in sales volume following the sales of the concession business, despite a moderate asset turnover.

From 2019 onward, ROA managed to stabilize at valued close to zero, indicating that the company was barely covering its operating costs. It was not generating economic value, as it failed to yield returns on its assets. However, in 2021 and 2022, ROA slightly increased to 0.01, driven by modest improvements in both margins and asset turnover. This evolution was influenced by the entry of the Amodio family into the group and the restructuring project they implemented.

As for return on equity (ROE), the results reveal an even more delicate situation. In 2018, ROE was deeply negative at -2.01, due to significant losses recorded during that fiscal year and a very weak equity base. In the following years, ROE remained in negative territory, heavily distorted by extremely high leverage, especially in 2020, when it reached 102.07. Indicating OHLA's high dependence on debt. Throughout the period, leverage was not profitable, as ROA always remained below the cost of debt. As a result, the company failed to improve its financial profitability using debt, on the contrary, it only increased its financial vulnerability.

In 2021, a slight turning point was observed with a minimal return to positive results, allowing the company to reach a ROE of 0.01. At the same time, leverage was significantly reduced following a capital increase and certain divestments conducted during the restructuring phase led by the Mexican family. However, this progress was not sustained, and in 2022, ROE returned to negative values, reflecting OHLA's ongoing weakness in generating returns for its shareholders,

Overall, these data confirm that OHLA remains in a restructuring phase rather than in a recovery phase. Although it has partially succeeded in reducing its financial debt level, profitability remains low. This means that while progress has been made compared to its previous deterioration, the company has yet to achieve sustainable profitability.

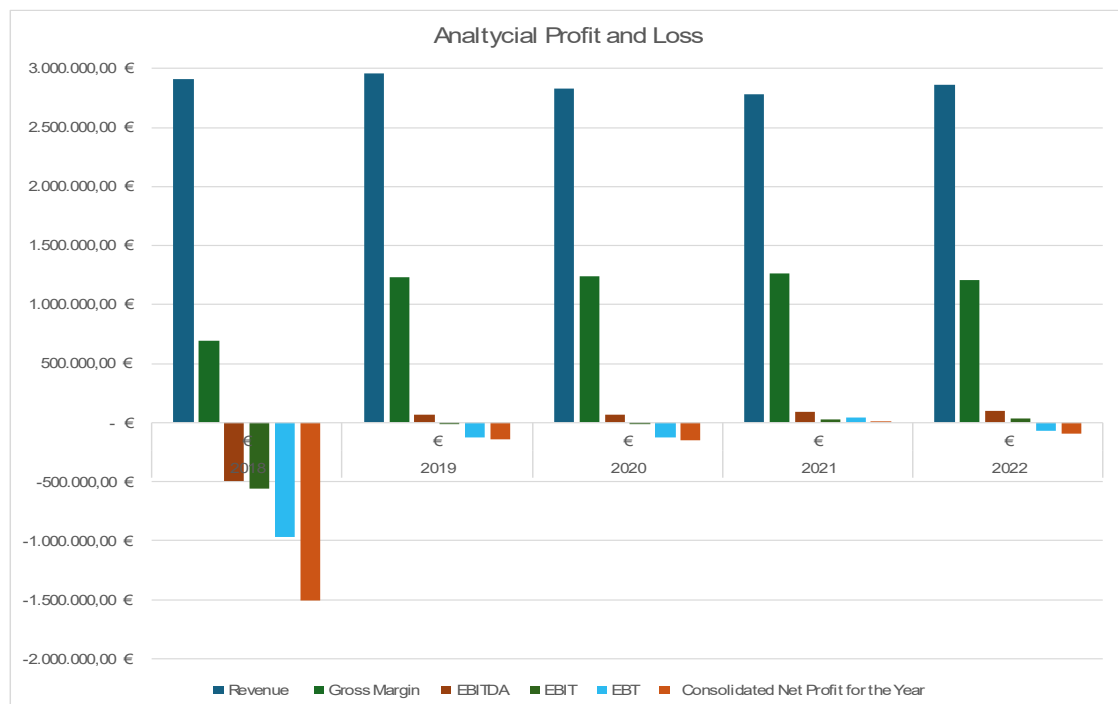


Figure 6 Analytical profit and loss evolution of the OHLA Group period 2018-2022.

Source: Own elaboration based on (OHLA Group, 2018), (OHLA Group, 2019), (OHLA Group, 2020), (OHLA Group, 2021) and (OHLA Group, 2022).

Between 2018 and 2022, OHLA Group's income statement experienced significant fluctuations, framed within a context of deep internal restructuring and an aggressive divestment strategy. These factors directly impacted both the revenue structure and the evolution of the group's operating expenses.

The group's sales, which had already declined by 6.9% from 2017 to 2018, reflected a more focused approach on the construction business, which in 2018 already accounted for 84.2% of total sales. This first year of the period under review can be considered a transitional year, marked by the sale of OHL Concessions and the adoption of NIIF 15. This accounting standard required the company to exclude from revenue recognition all claims and contracts that did not have a high probability of collection, which negatively impacted the volume of recognized sales in the construction segment. Additionally, there was a contraction in the industrial area, which also contributed to this decline in revenue.

In subsequent years, sales stabilized without major fluctuations. However, the group's gross margin showed a very positive trend, rising from 23.74% of sales in 2018 to 42.22% in 2022, peaking at 45.54% in 2021. This notable improvement in margin was not driven by increased sales but rather by a significant reduction in procurement costs, a clear sign of the group's efforts to improve operational efficiency and optimize production costs.

Regarding operating income and expenses, no significant variations were observed. Throughout the period, operating expenses exceeded income, limiting the group's ability to achieve sustained operating profits. However, there was a steady decrease in personnel expenses, particularly significant between 2021 and 2022, when their weight over sales dropped by nearly 10%.

This reduction is directly related to the organizational restructuring initiated after the Amodio brothers joined OHLA's shareholding structure in 2020. The incorporation of the Mexican family as key shareholders marked a strategic turning point. The Amodio's injected capital through a share capital increase that allowed them to take operational control of the company, and since then they have promoted a restructuring plan aimed at restoring profitability and improving efficiency. One of their first measures was to review and simplify the organizational structure, reduce structural costs, and redirect operations toward more profitable and controlled geographic areas, such as the United States and Europe.

The impact of this new management approach was also evident in the divestment operations: non-strategic assets were sold, and entire business units were transferred, which led to a significant reduction in staff, from 22.779 to 15.715, and a lower fixed operational burden. In this sense, Amodio's management represented a shift in direction compared to the previous stage, largely abandoning the expansive approach in favor of a strategy focused on efficiency, profitability, and financial restructuring.

This decrease is directly linked to the organizational restructuring initiated after the Amodio brothers joined the company and to divestment operations that involved transferring employees to acquiring companies.

The improvement in cost control and reduction in headcount is directly reflected in the evolution of EBITDA. In 2018, the group recorded a negative EBITDA of -17.06% of sales. From 2019 onward, this figure turned positive, reaching 2.19%, and continued to improve progressively to 3.58% in 2022. While this trend reflects better operations, EBITDA remains at modest levels, insufficient to fully cover the group's accumulated depreciation and impairment charges.

As a result, EBIT (Earnings Before Interest and Taxes) remained negative until 2021, when it finally turned positive at 1.36% of sales. This indicates the structural difficulties the group still faced in generating sustainable operating profits, despite the restructuring efforts.

From a financial perspective, interest expenses remained stable throughout the period, accounting for between 2% and 3% of sales. Financial income also showed stability, with a significant positive variation in 2021 due to the recognition of extraordinary income from financial restructuring amounting to 99.481 million euros. This restructuring involved the replacement of old bonds with new ones, which allowed the group to record a positive accounting gain by repurchasing bonds below their nominal value. This accounting effect significantly contributed to the improved financial result that year.

In addition, the "other income and expenses" item saw a sharp reduction between 2018 and 2019, due to debt cancellation during that period, which also helped reduce financial pressure on the group.

Earnings before tax (EBT) followed a similar trend to EBIT, showing substantial improvement between 2018 and 2019, but remained negative until 2021, when it reached 1.53% of sales. However, it returned to negative territory in 2022 due to a decline in operating income.

Regarding corporate income tax, in 2018 the company recorded a tax expense of €15.99 million, despite having a negative pre-tax result. From 2019 onwards, and consistently until 2022, the tax became negative, generating tax income. This reflects the activation of deferred tax assets related to past losses.

Finally, the group's consolidated net income reflects the overall financial performance of OHLA during the 2018–2022 period. Despite the observed operational and financial improvements, the group failed to consolidate sustained profits.

In 2018, the group posted a significantly negative net result, intensified by the effects of the OHL Concessions divestment, recorded under the item "Result from discounted operations net of tax," and by extraordinary restructuring expenses. From 2019 onwards, there was gradual improvement, with losses narrowing and nearing break-even, thanks to the positive impact of bond cancellations and structural cost reductions. However, 2020 and 2022 still showed losses, albeit less severe, while 2021 recorded a net profit equivalent to 0.22% of sales.

4.4 Actual Situation

To complete the analysis of the consolidated OHLA Group, the available socio-economic accounts for the fiscal year 2023 have been reviewed.

The group remains in the *retrenchment* phase, according to the two-stage model of Robbins and Pearce, aiming to stabilize the ongoing decline that began in 2015. This first phase continues to play a leading role in the company's restructuring process.

OHLA still maintains construction as its core business, currently accounting for 81.8% of total activity. However, it is still promoting its concessions model, with active projects in Chile, Colombia, and Spain. Nonetheless, these are not reported separately due to their currently insignificant contribution to overall revenue.

OHL Group balance sheet grouped by categories	2022		2023		2022-2023	
	€	%	€	%	Variation	Expansion Ratios
Non-current assets	829.934	25,98%	743.533	22,80%	- 86.401	0,90
Inventories	107.089	3,35%	93.450	2,87%	- 13.639	0,87
Assets available for sale	28.814	0,90%	164.785	5,05%	135.971	5,72
Receivables	1.759.166	55,07%	1.662.284	50,98%	- 96.882	0,94
Cash	469.311	14,69%	596.640	18,30%	127.329	1,27
Total Assets	3.194.314	100,00%	3.260.692	100,00%	66.378	1,02
Equity	557.255	17,45%	497.294	15,25%	- 59.961	0,89
Non-current liabilities	648.325	20,30%	715.152	21,93%	66.827	1,10
Current liabilities	1.988.692	62,26%	1.975.200	60,58%	- 13.492	0,99
Liabilities available for sale	42	0,00%	73.046	2,24%	73.004	1.739,19
Total Equity+Liabilities	3.194.314	100,00%	3.260.692	100,00%	66.378	1,02

Table 12 Aggregated balance sheet by categories, OHLA Group period 2022-2023.

Source: Own elaboration based on (OHLA Group, 2022) and (OHLA Group, 2023).

The balance sheet shows moderate growth. On the asset side there is a decrease in non-current assets, in line with the company's divestment process. This decline is mainly due to the impairment in the fair value of its stake in the concession company Cercanías Móstoles Navalcarnero, currently in liquidation, with a value of 44 million euros.

During the fiscal year, OHLA continued its divestment strategy aimed at reducing debt, classifying its services division as discontinued and announcing the sale of 100% of its stake. It also agreed to sell 25% of its shareholding in the Centro Hospitalario Universitario Montreal, which increased the liabilities classified as held for sale.

Meanwhile, receivables decreased due to the decline in items such as "Trade receivables" and "Investment portfolio." At the same time, cash increases by 27%, strengthening the group's liquidity.

On the liabilities side, equity decreased again. Despite a year-over-year improvement in the net result, which returned to positive territory, shareholders' equity was reduced due to a significant decline in share premium and retained earnings.

As part of the restructuring process initiated in 2021, the company conducted a reorganization of its equity structure. Specifically, reserves in consolidated companies were reduced to increase voluntary reserves and share premium. However, due to the substantial impairment of certain financial assets, such as the stake in Cercanías Móstoles Navalcarnero—both share premium and reserves decreased, leading to a further reduction in total equity for 2023.

The company's total debt increases, both in long- and short-term segments. Long-term debt components generally declined, except for "Deferred income" and "Other current liabilities.

“Deferred revenue” does not constitute an expense for the company, but it is recorded as a liability because it represents money received in advance, for which the company has not yet fulfilled the delivery of the good or the provision of the corresponding service.

The increase in other current liabilities stems primarily from non-commercial debt arising from agreements signed with IFM and Aleatica (formerly OHL Concessions S.L.). Following the sale of concessions, certain arbitration processes were maintained, resulting in OHLA having to make payments scheduled for 2024, 2026, and 2030 these are now reflected under “Other current liabilities.”

Short-term debt also rose, by only 3% compared to the previous year. This increase is mainly related to liabilities associated with non-current assets held for sale and discontinued operations, with most of the debt coming from the Services division, which has now been reclassified as discontinued.

To support this analysis, a set of financial ratios was calculated, leading to the following conclusions.

	2022	2023
Debt Ratio	0,83	0,85
Financial Debt	467.577	522.613
Non-Financial Debt	2.169.482	2.240.785
Current Ratio	1,19	1,23
Quick Ratio	1,12	1,10
Cash Ratio	0,24	0,29
Working Capital	375.646	468.913
Operating Working Capital	27.642	63.685

Table 13 Financial ratios, OHLA Group period 2023

Source: Own elaboration based on (OHLA Group, 2023).

The company’s debt ratio stands at 0.85, reflecting a slight increase compared to the previous fiscal year. This change is the result of a higher rise in total liabilities relative to the decline in shareholders’ equity. Gross debt with recourse reached 522.613 million euros, showing a moderate increase primarily due to a rise in short-term credit institution debt, following the acquisition of financing for 40 million euros guaranteed by the Instituto de Crédito Oficial (ICO).

Non-financial debt also experienced a slight increase, mainly driven by the categories "Other non-current liabilities" and "Liabilities associated with non-current assets held for sale."

Regarding the company’s overall liquidity, the current ratio improved to 1.23, thereby strengthening the group’s ability to cover its most pressing short-term obligations with its current assets. This improvement stems from the divestments executed throughout 2023, which caused

current assets to grow proportionally more than short-term liabilities, resulting in enhanced liquidity.

However, the quick ratio which excludes inventories from calculation declined. This drop is mainly due to the decrease in receivables, particularly the “Trade and other receivables” line item, which overshadowed the increase in cash and cash equivalents. At the same time, short-term debt also rose, further contributing to the decrease in this ratio compared to previous years.

Meanwhile, the cash ratio increased to 0.29, meaning that the group can cover nearly 30% of its short-term liabilities with its most liquid asset cash.

Overall, while the current ratio remains below the often-recommended threshold of 1.5 potentially signaling limited short-term liquidity, a more detailed analysis of the group’s receivables and cash, through the quick and cash ratios, shows that both indicators are within acceptable ranges. This suggests that the group does not exhibit any immediate signs of liquidity stress.

Regarding working capital, it experienced a significant increase, placing the group in a position of economic-financial balance, as current assets now exceed current liabilities.

According to the Chairperson of the Board, Luis Amodio, the 2023 fiscal year marked a period of significant operational achievements, with OHLA successfully navigating a highly volatile global environment.

The group surpassed its targets, and EBITDA reached its highest level since 2015, primarily driven by improved margins in the construction segment. Furthermore, the order book hit an all-time high, approaching 8.500 million euros when included in the Services division, which is classified as discontinued operations. During the year, the Concessions segment was also consolidated.

OHLA experienced growth across all key items in its income statement. Revenue increased by 9.3%, surpassing the €3 billion threshold, led predominantly by the construction division, which accounted for 92.6% of total turnover.

As a result, the gross margin also improved both in absolute and relative terms, reaching €1.381 billion, representing 44.1% of sales compared to 42.2% in the previous year. This performance underscores enhanced production efficiency and better cost management associated with the group’s core business.

In terms of operating structure, there was an increase in both operating expenses and personnel costs, indicating a reinforcement of activity and structural growth. While other operating expenses grew in both mass and volume, personnel expenses increased in absolute terms but remained relatively stable as a percentage of sales. Although these increases may suggest a more rigid structure, the growth in sales enabled better absorption of fixed costs, thus supporting the company's cost structure more sustainably.

In parallel, operating income rose significantly, representing 5.7% of sales. However, this growth was not sufficient to fully offset the increase in expenses, thereby partially limiting the improvement in operating profit.

EBITDA improved by 0.45 percentage points, reaching 4% of sales, reflecting enhanced operating profitability. Moreover, EBIT more than doubled, reaching 90.668 million euro, largely due to a significant reduction in amortizations and impairments.

Regarding the financial results in 2023, although financial expenses rose slightly, financial income increased to a greater extent. Additionally, the item "Other income and expenses," which had been negative in 2022, turned positive in 2023. This variation had a significant impact on profits before tax (PBT), which shifted from a loss of 66.473 million euro to a positive result of 44.223 million euro. After accounting for a proportionate corporate income tax expense, consolidated net income reached €8.783 million, compared to a net loss of 99.497 million euro in the previous year.

In summary, OHLA closed 2023 with significant improvements across all key income statement metrics. The increase in revenue and the improvement in gross margin reflect more efficient business management, aiming for the stability the group has pursued for years. Nevertheless, the expansion of the cost structure could pose a risk in the event of a revenue downturn. Even so, the return to positive net income, the increase in EBITDA, and the improvement in financial results clearly indicate a recovery in the group's performance. Should these trends continue in the coming years, OHLA could successfully complete its restructuring process.

Financial Profitability	2022	2023
Return on Equity (ROE)	-0,17	0,01
Asset Turnover	0,90	0,96
Profit Margin	0,01	0,03
Leverage Effect	-9,78	3,20
Assets/ Equity	5,73	6,56
EBT/EBIT	-1,71	0,49
Tax Effect	0,54	0,14

Table 14 Financial profitability OHLA Group period 2022-2023

Source: Own elaboration based on (OHLA Group, 2022) and (OHLA Group, 2023).

Economic Profitability	2022	2023
Return on Assets (ROA)	0,01	0,03
Asset Turnover	0,90	0,96
Profit Margin	0,01	0,03
Cost of Debt	0,15	0,16

Table 15 Economic profitability OHLA Group period 2022-2023

Source: Own elaboration based on (OHLA Group, 2022) and (OHLA Group, 2023).

During the last fiscal year under review, OHLA consolidated a slight improvement in its economic profitability, reaching a ROA (Return on Assets) of 3%. This progress was driven by both the stabilization of the operating margin, which also stood at 3%, and a more efficient asset turnover, which increased to 0.96. These indicators reflect better operational management and a more effective use of the company's resources.

On the other hand, financial profitability remains extremely low, at just 0.01, indicating that value creation for shareholders is still insufficient. Financial leverage stands at 3.20. Although this figure is more moderate compared to previous years, it still fails to enhance the return on equity, as the cost of debt exceeds the ROA, resulting in a negative leverage effect.

Nevertheless, the gap between ROA and the cost of debt has narrowed compared to previous periods. This suggests a certain recovery in the group's operational capabilities. In this regard, the current fiscal year demonstrates progress in the group's financial restructuring and stabilization efforts, even though this has not yet been translated into returns for shareholders.

5 Conclusions

Corporate turnaround, according to academic literature, consists of the implementation of drastic measures, primarily financial, operational, and strategic, that aim to reverse a prolonged situation of decline. This process is divided into two phases: retrenchment and recovery according to the Robbins and Pearce (1992) model.

Throughout this thesis, the case of the OHLA Group has been analyzed. Since 2015, OHLA has experienced complex and progressive deterioration caused by multiple factors, which has led the company to adopt retrenchment as its main turnaround strategy, without having yet achieved a sustained recovery.

The OHLA case serves as an example of how uncontrolled business growth, financed through excessive leverage, can lead to prolonged decline when it is not accompanied by good management and a sustainable financial structure.

As stated in the two-phase model of Robbins and Pearce (1992), companies facing decline must go through two stages: retrenchment and recovery. In OHLA's case, it is evident that the company has done the first phase, retrenchment, as its main approach to reverse the downturn. Its efforts have focused on defensive measures aimed at stabilizing its financial situation, particularly through asset sales, driven by its increasing proximity to imminent bankruptcy. However, to date, it has not yet managed to stabilize the decline sufficiently to move forward into the second phase, recovery.

The origin of OHLA's decline lies primarily in its international expansion strategy during the years of economic prosperity preceding the Great Recession, a strategy supported by aggressive debt accumulation. The subsequent monetary crisis, coupled with a credit crunch and the collapse of public infrastructure investment in Spain, structurally weakened its business model. Although OHLA managed to stay afloat during the Great Recession thanks to its concession focused model, the need for divestment to reduce debt and the loss of stable contracts accelerated its deterioration.

The decline began to become evident in 2015, when the group attempted to reverse the trend through a capital increase, asset sales, and stricter cost control. However, these measures proved insufficient, and in 2017, the company sold its most valuable asset, OHL Concessions, achieving an immediate reduction in debt, but critically weakening its base of recurring revenue. This increased its exposure to the construction sector, which is characterized by high competition, low margins, and strong sensitivity to economic cycles.

The entry of the Amodio brothers in 2020 marked the beginning of a new phase of restructuring and refinancing for the group. They injected fresh capital while the company implemented a series of internal measures aligned with a retrenchment strategy: workforce reduction, simplification of the corporate structure, reorganization of business units, and tighter control over the contracting of new projects. These actions aimed to contain financial deterioration, improve efficiency, and reposition the company toward more profitable projects in key markets such as the United States and Europe. However, despite these changes, the turnaround process has yet to move beyond the retrenchment phase.

The analysis of OHLA confirms what has been warned in academic literature and previously explained in conceptual framework. While retrenchment measures are essential in situations of high severity, they also entail certain risks if prolonged excessively or applied uniformly. Overly aggressive workforce reduction, the sale of essential assets, or the loss of strategic capabilities can jeopardize future recovery. The case of OHLA perfectly illustrates these dynamics. Retrenchment sought to stabilize the company but at the same time seriously undermined its long-term competitive viability, as it severely weakened the group's structure following the sale of its most critical asset. As a result, OHLA failed to reverse the decline.

To attempt to reverse the situation, OHLA implemented several retrenchment measures from 2015 onwards, aiming to curb financial deterioration:

- Capital increase.
- Significant asset divestments
- Debt renegotiation and refinancing
- A refocus on the business model.

From the analysis, several conclusions can be highlighted:

- 1) The sale of strategic assets can solve short-term problems but compromises the future competitive capacity in the construction sector.
 - OHLA sacrificed its most stable source of income, the concession division, in exchange for immediate liquidity and debt reduction. This weakened its business model, resulting in the loss of competitive advantage and a very fragile recovery.
- 2) Ongoing restructurings that fail to consolidate and hinder progress toward the recovery phase.
 - In OHLA's case, the measures adopted to halt the decline were largely reactive, taken urgently in response to an already deteriorated situation rather than being part of a long-term strategic plan. The lack of a strategic long-term vision has prevented the company from moving beyond the retrenchment phase, blocking the transition to a true recovery stage, outlined in Robbin and Pearce (1992) model.
 - Although retrenchment was necessary to avoid the group's immediate bankruptcy, its prolonged implementation without structural transformation has slowed down the recovery process.

Taken as a whole, the OHLA case highlights both the usefulness and the limitations of the Robbins and Pearce (1992) framework. While it provides a clear guide to the phases of a turnaround process, its effective application requires a critical reading of the sectoral context and the company's internal capabilities.

OHLA's experience provides a valuable lesson for business management in times of crisis; a company's survival cannot depend solely on defensive measures.

Although retrenchment is a necessary phase, its prolongation without a long-term strategic vision leads to an apparent but not structural recovery. The key lies in knowing when to stop the bleeding and when to begin building a new operational architecture that ensures sustainability, resilience, and value creation.

Following this deep restructuring, the company today continues to show irregular financial results. Although some improvements have been observed, its business model remains weakened after the loss of its concessions division.

OHLA is still immersed in the search for stability that would allow it to move from decline containment to an effective recovery. The future of the company will depend on its ability not only to consolidate its current position but also to rebuild a robust business model adapted to the demands of the competitive global environment. Only then will it be able to move beyond the retrenchment phase and advance toward a true recovery phase.

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7 Appendix

Appendix 1. Consolidated balance sheet of the assets OHLA Group, period 2015-2023

	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
Non-Current Assets									
Intangible assets	290.031	274.514	231.448	208.978	189.107	156.242	156.990	139.494	111.923
Intangible assets	468.986	486.162	449.460	463.305	467.797	439.849	485.288	505.125	492.240
Accumulated amortisation	- 178.955	- 211.648	- 218.012	- 254.327	- 278.690	- 283.607	- 328.298	- 365.631	- 380.317
Concession infrastructure	6.515.565	6.439.634	66.773	72.171	72.767	75.129	678	10.659	33.866
Intangible asset model	1.157.965	1.199.054	12.356	14.226	13.101	13.712	678	563	451
Financial asset model	5.357.600	5.240.580	54.417	57.945	59.666	61.417	-	10.096	33.415
Property, plant and equipment	636.029	257.011	212.059	147.406	186.389	144.697	222.899	261.965	239.862
Land and buildings	462.115	130.332	118.518	45.267	79.748	70.772	127.292	150.668	152.050
Machinery	479.202	437.571	383.177	352.483	355.111	319.706	395.442	423.840	420.666
Other fixtures, tools and furniture	150.508	116.587	97.749	85.219	86.735	76.343	118.046	112.728	102.934
Advances and property, plant and equipment in the course of construction	44.733	6.237	13.261	7.314	10.204	2.539	9.996	12.741	17.646
Other items of property, plant and equipment	106.462	74.135	61.648	59.421	66.438	65.973	75.152	92.046	86.850
Accumulated depreciation and impairment losses	- 606.991	- 507.851	- 462.294	- 402.298	- 411.847	- 390.636	- 503.029	- 530.058	- 540.284
Investment property	61.921	66.837	73.284	10.529	10.154	4.295	4.322	4.222	3.985
Goodwill	26.335	12.515	12.515	7.247	7.247	6.398	36.998	36.998	36.241
Non-current financial assets	411.493	402.831	500.991	309.001	332.253	306.899	145.052	136.377	86.590
Investment securities	111.227	113.864	209.113	64.187	64.205	64.176	61.340	62.514	3.892
Other receivables	319.809	378.300	450.037	240.420	265.718	243.063	142.039	110.079	111.337
Deposits and guarantees given	219.006	157.039	123.798	12.703	11.214	8.910	9.569	16.967	15.332
Impairment losses	- 238.549	- 246.372	- 281.957	- 8.309	- 8.884	- 9.250	- 67.896	- 53.183	- 43.971
Investments accounted for using the equity method	1.668.246	513.611	303.127	293.403	301.362	295.106	167.221	149.960	151.738
Deferred tax assets	624.062	622.114	265.056	262.456	205.023	149.063	108.789	90.259	79.328
Total non-current assets	10.233.682	8.589.067	1.665.253	1.311.191	1.304.302	1.137.829	842.949	829.934	743.533
Current Assets									
Non-current assets classified as held for sale	833.272	491.963	8.023.590	142.489	-	-	32.515	28.814	164.785
Inventories	270.398	211.887	152.404	136.912	107.156	86.253	100.158	107.089	93.450
Embodiment items, fungibles and replacement parts for machinery	95.496	63.971	57.029	46.858	42.284	27.604	31.904	39.470	42.722
Auxiliary shop projects and site installations	33.279	32.105	29.340	32.775	31.328	32.113	36.559	32.971	10.115
Advances to suppliers and subcontractors	144.231	117.804	68.278	58.777	35.044	27.542	35.197	38.779	40.616
Write-downs	- 2.608	- 1.993	- 2.243	- 1.498	- 1.500	- 1.006	- 3.502	- 4.131	- 3
Trade and other receivables	2.437.800	2.080.218	1.736.175	1.304.208	1.257.622	1.128.496	1.190.442	1.453.502	1.392.558
Trade receivables for sales and services	2.177.241	1.806.382	1.710.407	1.123.710	1.048.969	977.631	1.026.578	1.265.077	1.175.402
Receivable from associates	274.483	254.050	172.163	150.361	182.643	134.521	112.219	144.222	155.728
Employee receivables	1.678	2.435	1.655	2.214	1.346	931	1.160	1.437	1.290
Tax receivables	235.693	204.366	89.650	84.203	83.213	77.368	85.743	92.157	81.271
Sundry accounts receivable	197.490	142.253	68.230	51.590	45.938	47.159	78.001	59.191	81.582
Write-downs	- 448.785	- 329.268	- 305.930	- 107.870	- 104.487	- 109.114	- 113.259	- 108.582	- 102.715
Current financial assets	334.589	663.448	140.119	222.482	229.010	194.905	334.781	232.376	218.248
Investment securities	36.912	396.168	46.660	28.167	33.911	45.135	50.989	48.397	27.866
Other receivables	305.950	271.412	100.762	63.272	28.215	14.701	150.532	15.071	17.681
Deposits and guarantees given	5.136	12.950	6.106	145.004	185.403	148.380	146.622	182.270	185.913
Write-downs	- 13.409	- 17.082	- 13.409	- 13.961	- 18.519	- 13.311	- 13.362	- 13.362	- 13.212
Current income tax assets	24.481	23.089	17.330	18.183	14.622	7.808	6.050	10.064	6.846
Other current assets	56.834	42.802	39.404	153.504	156.162	128.731	48.025	63.224	44.632
Cash and cash equivalents	1.097.870	817.872	434.210	814.434	555.442	471.014	507.455	469.311	596.640
Total current assets	5.055.244	4.331.279	10.543.232	2.792.212	2.320.014	2.017.207	2.219.426	2.364.380	2.517.159
Total assets	15.288.926	12.920.346	12.208.485	4.103.403	3.624.316	3.155.036	3.062.375	3.194.314	3.260.692

Appendix 2. Consolidated balance sheet of net equity and liabilities OHLA Group, period 2015-2023

	31/12/2015	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
Equity									
Share capital	179.255	179.255	179.255	171.929	171.929	171.929	147.781	147.781	147.781
Share premium	1.265.300	1.265.300	1.265.300	1.265.300	1.265.300	1.265.300	1.328.128	1.328.128	1.205.479
Treasury shares	- 3.908	- 46.145	- 48.638	- 370	- 535	- 406	- 504	- 341	- 322
Reserves	- 118.676	- 173.645	- 691.193	1.350.892	- 520.064	- 559.063	- 665.640	- 633.687	- 709.220
Reserves of consolidated companies	2.116.334	2.235.397	2.225.326	- 298.301	- 103.960	- 209.608	- 161.575	- 185.878	- 81.310
Valuation adjustments	- 446.981	- 588.135	- 751.309	- 25.464	- 42.699	- 53.364	- 29.859	- 764	- 73.825
Consolidated profit (loss) for the year attributable to the Parent	55.632	- 432.338	- 12.076	- 1.577.346	- 142.960	- 151.221	5.945	- 96.840	5.523
Interim dividend	-	-	-	- 99.867	-	-	-	-	-
Total equity attributable to the parent	3.046.956	2.439.689	2.166.665	786.773	627.011	463.567	624.276	558.399	494.106
Non controlling interests	1.764.718	1.603.204	2.016.563	- 1.104	- 4.148	- 3.295	- 3.927	- 1.144	3.188
Total equity	4.811.674	4.042.893	4.183.228	785.669	622.863	460.272	620.349	557.255	497.294
Non-current liabilities									
Debt instruments and other marketable securities	2.151.318	2.013.412	883.385	659.298	587.887	589.636	444.642	428.400	417.040
Corporate bond issues	1.575.747	1.473.418	883.385	659.298	587.887	589.636	444.642	428.400	417.040
Bond issues of concession operators	575.571	539.994	-	-	-	-	-	-	-
Bank borrowings	2.571.851	1.763.653	10.171	1.659	150	52.852	43.355	3.692	3.217
Mortgage and other loans	1.389.231	659.813	10.171	1.659	150	1.844	43.355	3.692	3.217
Loans of concession operators	1.182.620	1.103.840	-	-	-	51.008	-	-	-
Other financial liabilities	88.630	53.043	4.433	2.384	31.483	33.802	24.937	45.414	45.089
Deferred tax liabilities	1.211.376	1.246.334	139.493	149.000	95.125	78.773	75.260	67.128	56.398
Provisions	168.808	199.352	50.122	60.454	65.518	63.710	64.024	70.848	57.997
Deferred income	65.011	12.199	20.651	1.362	817	593	261	40	30.821
Other non-current liabilities	326.460	165.913	15.867	14.704	16.505	14.094	23.364	32.803	104.590
Total non-current liabilities	6.583.454	5.453.906	1.124.122	888.861	797.485	833.460	675.843	648.325	715.152
Current liabilities									
Liabilities associated with non-current assets classified as held for sale	567.245	220.008	4.141.724	63.517	-	-	9	42	73.046
Debt instruments and other marketable securities	210.344	37.969	21.341	14.132	83.691	8.804	9.458	8.707	12.116
Corporate bond issues	204.595	31.332	21.341	14.132	83.691	8.804	9.458	8.707	12.116
Bond issues of concession operators	5.749	6.637	-	-	-	-	-	-	-
Bank borrowings	505.968	577.232	659.338	65.869	57.380	97.827	26.054	26.778	90.240
Mortgage and other loans	433.047	499.660	606.111	11.265	3.388	97.627	26.052	26.778	89.177
Loans of concession operators	60.702	66.282	52.058	54.498	53.770	-	-	-	-
Unmatured accrued interest payables	3.949	4.618	1.168	106	19	7	2	-	1.063
Unmatured accrued interest payable of concession operators	8.270	6.672	1	-	203	193	-	-	-
Other financial liabilities	44.940	7.055	4.767	6.015	26.287	16.862	15.943	19.233	19.614
Trade and other payables	1.813.110	1.886.063	1.595.330	1.820.429	1.549.712	1.303.457	1.294.634	1.526.278	1.484.752
Customer advances	476.225	461.614	477.757	601.285	517.372	417.146	424.525	540.855	450.646
Accounts payable for purchases and services	1.283.951	1.405.193	1.106.619	1.180.983	977.025	830.288	816.349	925.020	957.678
Notes payable	52.934	19.256	10.954	38.161	55.315	56.023	53.760	60.403	76.428
Provisions	289.285	298.230	225.374	202.456	217.146	210.414	197.255	178.864	134.406
Current income tax liabilities	108.294	29.357	19.570	6.604	12.299	2.952	8.187	9.337	23.631
Other current liabilities	354.612	367.633	233.691	249.851	257.453	220.988	214.643	219.495	210.441
Payable to associates	111.536	97.511	88.998	89.690	121.636	109.025	82.252	59.464	52.816
Remuneration payable	26.777	25.940	30.283	23.797	30.262	27.889	34.504	36.748	34.044
Tax payables	142.887	137.106	88.762	74.964	74.865	67.070	63.906	74.447	77.378
Other non-trade payables	65.679	101.841	22.717	58.724	28.145	14.260	32.340	47.370	44.805
Guarantees and deposits received	1.470	1.489	2.610	2.520	2.492	2.543	1.429	1.225	1.226
Other	6.263	3.746	321	156	53	201	212	241	172
Total current liabilities	3.893.798	3.423.547	6.901.135	2.428.873	2.203.968	1.861.304	1.766.183	1.988.734	2.048.246
Total Equity and liabilities	15.288.926	12.920.346	12.208.485	4.103.403	3.624.316	3.155.036	3.062.375	3.194.314	3.260.692

Appendix 3. Profit and loss statement, OHLA Group period 2015-2023.

	Ejercicio 2015	Ejercicio 2016*	Ejercicio 2017*	Ejercicio 2018	Ejercicio 2019	Ejercicio 2020	Ejercicio 2021	Ejercicio 2022*	Ejercicio 2023
Revenue	4.368.866	3.342.369	3.172.114	2.906.900	2.959.905	2.830.727	2.778.604	2.865.380	3.131.514
Other operating income	849.477	181.483	124.745	100.903	86.175	51.155	125.665	92.965	178.574
Total operating income	5.218.343	3.523.852	3.296.859	3.007.803	3.046.080	2.881.882	2.904.269	2.958.345	3.310.088
Procurements	- 2.552.616	- 2.600.073	- 2.104.119	- 2.216.741	- 1.726.202	- 1.591.062	- 1.513.204	- 1.655.493	- 1.750.249
Staff costs	- 891.391	- 854.777	- 824.099	- 814.175	- 757.502	- 755.130	- 814.608	- 583.184	- 656.896
Other operating expenses	- 807.302	- 645.313	- 435.137	- 472.837	- 497.611	- 468.175	- 485.217	- 617.076	- 776.854
Depreciation and amortisation charge	- 165.802	- 100.270	- 70.478	- 61.493	- 68.304	- 74.582	- 77.449	- 78.701	- 80.162
Changes in provisions and allowances	- 116.476	- 29.436	- 2.803	- 3.514	- 8.724	- 1.470	- 10.753	- 15.068	- 44.741
PROFIT FROM OPERATIONS	684.756	706.017	139.777	560.957	12.263	8.537	24.544	38.959	90.668
Finance income	46.096	24.709	35.014	21.737	20.575	17.857	116.923	14.135	30.333
Finance costs	- 494.917	- 93.072	- 82.313	- 82.665	- 56.506	- 54.470	- 90.525	- 71.755	- 84.170
Net exchange differences	600	8.418	44.139	5.896	2.236	1.816	2.594	21.687	14.134
Net losses on remeasurement of financial instruments at fair value	- 14.100	- 73.937	- 31.777	- 89.453	- 2.361	- 17.940	- 10.768	- 188	- 1.906
Result of companies accounted for using the equity method	226.972	148.885	36.705	110.416	7.032	677	2.703	4.546	10.983
Impairment and gains or losses on disposals of financial instruments	- 15.394	- 99.115	- 23.312	- 141.898	- 71.030	- 62.892	- 2.319	- 21.767	- 19.631
PROFIT (LOSS) BEFORE TAX	434.013	889.669	212.831	969.548	121.659	127.121	42.384	66.473	44.223
Income tax	- 175.460	- 32.055	- 3.443	- 15.995	- 21.842	- 22.989	- 36.243	- 30.511	- 38.167
PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	258.553	857.614	209.388	953.553	143.501	150.110	6.141	96.984	6.056
Profit for the year from discounted operations, net of tax		622.298	489.444	550.291	-	-	-	3.487	2.727
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR	258.553	235.316	280.056	1.503.844	143.501	150.110	6.141	93.497	8.783
Profit from continuing operations attributable to non-controlling interests	- 202.921	3.467	681	1.884	541	1.111	196	3.343	3.260
Profit from discounted operations attributable to non-controlling interests	-	200.489	292.813	71.618	-	-	-	-	-
CONSOLIDATED PROFIT (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE PARENT	55.632	432.338	12.076	1.577.346	142.960	151.221	5.945	96.840	5.523
Earning/ (loss) per share									
Basic	0,42	1,47	0,04	5,51	0,50	0,53	0,01	0,16	0,01
Diluted	0,42	1,47	0,04	5,51	0,50	0,53	0,01	0,16	0,01
Earning/ (loss) per share from discounted operations									
Basic		1,44	0,69	2,17	-	-	-	0,01	-
Diluted		1,44	0,69	2,17	-	-	-	0,01	-

Appendix 4. Analytical profit and loss statement, OHLA Group period 2015-2023

ANALYSIS P&L	2015		2016		2017		2018		2019		2020		2021		2022		2023	
	€	%	€	%	€	%	€	%	€	%	€	%	€	%	€	%	€	%
Revenue	4.368.866	100,00%	3.342.369	100,00%	3.172.114	100,00%	2.906.900	100,00%	2.959.905	100,00%	2.830.727	100,00%	2.778.604	100,00%	2.865.380	100,00%	3.131.514	100,00%
Cost of sales	-2.552.616	-58,43%	-2.600.073	-77,79%	-2.104.119	-66,33%	-2.216.741	-76,26%	-1.726.202	-58,32%	-1.591.062	-56,21%	-1.513.204	-54,46%	-1.655.493	-57,78%	-1.750.249	-55,89%
Gross Margin	1.816.250	41,57%	742.296	22,21%	1.067.995	33,67%	690.159	23,74%	1.233.703	41,68%	1.239.665	43,79%	1.265.400	45,54%	1.209.887	42,22%	1.381.265	44,11%
Other operating expenses	- 807.302	-18,48%	- 645.313	-19,31%	- 435.137	-13,72%	- 472.837	-16,27%	- 497.611	-16,81%	- 468.175	-16,54%	- 485.217	-17,46%	- 617.076	-21,54%	- 776.854	-24,81%
Other operating income	849.477	19,44%	181.483	5,43%	124.745	3,93%	100.903	3,47%	86.175	2,91%	51.155	1,81%	125.665	4,52%	92.965	3,24%	178.574	5,70%
Gross Value Added	1.858.425	42,54%	278.466	8,33%	757.603	23,88%	318.225	10,95%	822.267	27,78%	822.645	29,06%	905.848	32,60%	685.776	23,93%	782.985	25,00%
Personnel Expenses	- 891.391	-20,40%	- 854.777	-25,57%	- 824.099	-25,98%	- 814.175	-28,01%	- 757.502	-25,59%	- 755.130	-26,68%	- 814.608	-29,32%	- 583.184	-20,35%	- 656.896	-20,98%
EBITDA	967.034	22,13%	- 576.311	-17,24%	- 66.496	-2,10%	- 495.950	-17,06%	64.765	2,19%	67.515	2,39%	91.240	3,28%	102.592	3,58%	126.089	4,03%
Depreciation and Impairment	- 165.802	-3,80%	- 100.270	-3,00%	- 70.478	-2,22%	- 61.493	-2,12%	- 68.304	-2,31%	- 74.582	-2,63%	- 77.449	-2,79%	- 78.701	-2,75%	- 80.162	-2,56%
Changes in provisions	- 116.476	-2,67%	- 29.436	-0,88%	- 2.803	-0,09%	- 3.514	-0,12%	- 8.724	-0,29%	- 1.470	-0,05%	10.753	0,39%	15.068	0,53%	44.741	1,43%
Non-Financial grants	-	0,00%	-	0,00%	-	0,00%	-	0,00%	-	0,00%	-	0,00%	-	0,00%	-	0,00%	-	0,00%
EBIT	684.756	15,67%	- 706.017	-21,12%	- 139.777	-4,41%	- 560.957	-19,30%	- 12.263	-0,41%	- 8.537	-0,30%	24.544	0,88%	38.959	1,36%	90.668	2,90%
Financial expenses	- 494.917	-11,33%	- 93.072	-2,78%	- 82.313	-2,59%	- 82.665	-2,84%	- 56.506	-1,91%	- 54.470	-1,92%	- 90.525	-3,26%	- 71.755	-2,50%	- 84.170	-2,69%
Financial income	46.096	1,06%	24.709	0,74%	35.014	1,10%	21.737	0,75%	20.575	0,70%	17.857	0,63%	116.923	4,21%	14.135	0,49%	30.333	0,97%
(+/-) other income and expenses	198.078	4,53%	- 115.289	-3,45%	- 25.755	-0,81%	- 347.663	-11,96%	- 73.465	-2,48%	- 81.971	-2,90%	- 8.558	-0,31%	- 47.812	-1,67%	7.392	0,24%
EBT	434.013	9,93%	- 889.669	-26,62%	- 212.831	-6,71%	- 969.548	-33,35%	- 121.659	-4,11%	- 127.121	-4,49%	42.384	1,53%	66.473	2,32%	44.223	1,41%
Corporate Income tax	- 175.460	-4,02%	32.055	0,96%	3.443	0,11%	15.995	0,55%	- 21.842	-0,74%	- 22.989	-0,81%	- 36.243	-1,30%	- 30.511	-1,06%	- 38.167	-1,22%
Result from continuing operations	258.553	5,92%	- 857.614	-25,66%	- 209.388	-6,60%	- 953.553	-32,80%	- 143.501	-4,85%	- 150.110	-5,30%	6.141	0,22%	- 96.984	-3,38%	6.056	0,19%
Result from Discontinued Operations, Net of Tax	-	0,00%	622.298	18,62%	489.444	15,43%	- 550.291	-18,93%	-	0,00%	-	0,00%	-	0,00%	3.487	0,12%	2.727	0,09%
Consolidated Net Profit for the Year	258.553	5,92%	- 235.316	-7,04%	280.056	8,83%	-1.503.844	-51,73%	- 143.501	-4,85%	- 150.110	-5,30%	6.141	0,22%	- 93.497	-3,26%	8.783	0,28%
Minority Interests from Continuing Operations	- 202.921	-4,64%	3.467	0,10%	681	0,02%	- 1.884	-0,06%	541	0,02%	- 1.111	-0,04%	- 196	-0,01%	- 3.343	-0,12%	- 3.260	-0,10%
Minority Interests from Discontinued Operations	-	0,00%	- 200.489	-6,00%	- 292.813	-9,23%	- 71.618	-2,46%	-	0,00%	-	0,00%	-	0,00%	-	0,00%	-	0,00%
Consolidated Net Profit Attributable to the Parent Company	55.632	1,27%	- 432.338	-12,94%	- 12.076	-0,38%	-1.577.346	-54,26%	- 142.960	-4,83%	- 151.221	-5,34%	5.945	0,21%	- 96.840	-3,38%	5.523	0,18%

