

Tuesday, August 29th, 2023

**modefinance Corporate Credit Rating (Solicited) for
BORGOESIA S.P.A.: A3- (Affirm)**

modefinance published the Solicited Corporate Credit Rating of BORGOESIA S.P.A. on the website (<http://cra.modefinance.com/en>) and the rating assigned to the entity is A3- (Affirm). The analysis revealed the company has average capability of repaying financial obligations. Possible adverse macroeconomic conditions or different management or strategies might impact on the capability of repaying debt.

The company BORGOESIA S.P.A. is a joint stock company listed on Mercato Telematico Azionario of Borsa Italiana. It operates on investments and their management on behalf of third party. The Company was founded in 1873 as textile firm and it has changed several ownerships during its history. BORGOESIA S.P.A. is a group composed by two different divisions: BORGOESIA REAL ESTATE, with focus on real estate investment, and BORGOESIA ALTERNATIVE, operative on financial instruments investments.

Key Rating Assumption

During 2022, BORGOESIA S.P.A. showed a remarkable increase in revenue from real estate sales, going from 10.3 million euros in 2021 to 25.2 million euros. The company confirmed a stable financial condition, despite an increase in financial debt, maintaining a debt ratio aligned with the company's capital structure.

The company's governance and control structure reflect the best practices recommended by Consob. The company's size was deemed appropriate, with a significant expansion of business volume in 2022, positioning BORGOESIA S.P.A. among the top revenue-generating companies in its sector. Profitability and solvency positions are more than adequate.

The construction sector experienced solid growth, primarily driven by significant housing refurbishment supported by tax incentives for energy requalification. However, in 2023, challenges are expected for the sector due to rising interest rates, raw material costs, and new regulatory provisions. This will be mitigated by public investments stemming from the National Recovery and Resilience Plan.

Sensitivity Analysis

In the following table, the addressing factors, actions or events that could lead to an upgrade or a downgrade are summarized:

Action	Description of the addressing factors, actions or events
Upgrade	<ul style="list-style-type: none"> • Reduction of financial debt; • Further expansion of operating profit; • Overcoming geopolitical tensions and the high inflation phase support economic growth. <p>In the case these conditions are met, the rating could upgrade to A3.</p>
Downgrade	<ul style="list-style-type: none"> • Marked contraction of economic margins; • Decline in the real estate market sector; • Lower consumption and investments affect macroeconomic conditions. <p>If these conditions were to occur, we can expect a downgrade to B1+.</p>

IMPORTANT

The present Corporate Credit rating is issued by modefinance under EU Regulation 1060/2009 and following amendments.

The present rating is solicited and is based on both private and public information. The rated entity and/or related third parties have provided all private information used. modefinance had access to some accounts and other relevant internal documents of the rated entity and/or related third parties. Solicited and unsolicited ratings issued by modefinance are of comparable quality, as the solicitation status has no effect on methodologies used. More comprehensive information on modefinance Corporate Credit Ratings are available at: <http://cra.modefinance.com/en>

The present Corporate Credit Rating is issued on MORE Methodology 2.0 and Rating Methodology 1.0. A comprehensive description of both methodologies, as well as information on modefinance Rating Scale and Mappings, is available at <http://cra.modefinance.com/en/methodologies>.

For information on historical default rates of modefinance Corporate Credit Ratings please refer to ESMA Central Repository: <https://cerep.esma.europa.eu/cerep-web/> and ESMA European Rating Platform https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_radar.

modefinance refers to default as a company under bankruptcy, or under liquidation status, or under administration or for which missed payments on a financial obligation are officially recorded.

The quality of the information available on the rated entity and used to determine the present rating was judged by modefinance as satisfactory. Please note that modefinance does not perform any audit activity and is not in a position to guarantee the accuracy of any information used and/or reported in the present document. As such, modefinance can accept no liability whatsoever for actions taken based on any information that may subsequently prove to be incorrect.

The present credit rating was notified to the rated entity in order to identify potential factual errors, as prescribed by the CRA Regulation.

No amendments were applied after the notification process.

The rated entity is not a buyer of ancillary services provided by modefinance (credit risk software).

The rating action issued by modefinance was performed independently. The analysts, members of the rating team involved in the process, modefinance Srl and its members and shareholders do not have any conflicts of interest in relation to the Rated Entity and/or Related Third Parties. If in the future a potential conflict of interest is identified in relation to the persons reported above, modefinance Ratings will provide the appropriate information and if necessary the rating will be withdrawn.

The present Credit Rating is an opinion of the general creditworthiness that modefinance issues on the rated entity, and should be relied upon to a limited degree. The issued rating is subject to an ongoing monitoring until withdrawal.

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