

Tuesday, 26th March 2024**modefinance Corporate Credit Rating (Solicited) for****ESA ITALIA SRL: B1 (first issuance)**

modefinance published the Solicited Corporate Credit Rating of ESA ITALIA SRL on the website (<http://cra.modefinance.com/en>) and the rating assigned to the entity is B1 (first issuance). The analysis revealed it is an adequate company with average capability of repaying financial obligations and it is little affected by adverse economic scenarios.

Esa Italia Srl is a company specialized in the promotion of products and services offered by the Esa Group, a significant player in the Italian energy sector with a business model that prioritizes the production and sale of energy from renewable sources. From 2024 onwards, the company also holds and manages participations and provides centralized accounting, financial and management control services to the Group companies.

Key Rating Assumption

The company's economic-financial situation is adequate overall. The solvency area shows a balance between equity and third-party capital. The financial debt, due to the recent capital increase, appears high yet sustainable. Loans and short-term sources are in balance. The profitability area shows high levels of return on equity (ROE) and return on invested capital (ROI).

Esa Italia Srl has a basic governance structure yet consistent with the limited size of the company and its current activities. However, the growing importance of the company within the Esa Group and the increase in operations over the next few years will make it necessary to strengthen the structure of the administrative body and appoint a controlling body.

In the considered period, the peer group showed a sufficient solvency condition and an adequate management of the financial balance overall. Median profitability levels of the sector appear stable, with a return on equity that can be considered sufficient. Compared to the other companies of the peer group, Esa Italia Srl ranks rather high in terms of profitability, while its size and solvency do not deviate significantly from the respective medians of the reference sector.

Despite the gradual increase in the use of renewable energy sources, global energy demand will remain inexorably dependent on fossil fuels in the coming years. Global oil consumption is expected to increase until 2030, driven by Asia, Latin America and the Middle East, while natural gas will benefit from the growing Asian demand at least until 2032. Finally, looking at the macroeconomic context, forecasts for Italy indicate that the economic growth is expected to remain low in 2024, gradually strengthening in the medium-long term thanks to the slowdown in inflationary pressure.

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"> • The strengthening of equity leads to a significant improvement in solvency indicators; • Marked increase in business volume due to the increasingly important role within the Esa Group, coupled with the maintenance of adequate operating margins; • Appointment of a control body; • Reduced volatility in the energy markets and increasing use of renewable sources contribute for a positive development of the Group's activities. <p>Should these conditions be met, the rating could be upgraded to B1+.</p>
Downgrade	<ul style="list-style-type: none"> • Sharp decline in operating margins and profitability; • Unsustainable increase in financial exposure; • New energy market shocks impact the Group's activities. <p>Should these conditions occur, the rating could be downgraded 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 a buyer of ancillary services provided by modefinance (preliminary rating). modefinance ensures that such situation does not imply a conflict of interest in the issuance of the present credit rating.

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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