

Monday, 15th July 2024

modefinance Corporate Credit Rating (Solicited) for

ESA S.P.A. SOCIETA' BENEFIT: B1 (Upgrade)

modefinance published the Solicited Corporate Credit Rating of ESA S.P.A. SOCIETA' BENEFIT on the website (<http://cra.modefinance.com/en>) and the rating assigned to the entity is B1 (Upgrade). 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 S.P.A. Benefit Company, previously known as SH ENERGIE, underwent two significant changes in 2024. In March, it transitioned from SH ENERGIE to ESA SRL Benefit Company, incorporating specific regulatory references in its corporate statute in line with the concept of a “benefit company”. Subsequently, in April, the company transformed from SRL to SPA. As part of the ESA Group, the company operates as a multi-utility, with a business model focused on projects, services, and products that promote sustainable energy and a circular economy. Among its initiatives are the construction of photovoltaic plants, the management of Energy Communities, the offering of technological products for energy saving, and the promotion of electric mobility. The ESA Group, active since 2005, has developed a widespread territorial presence through a network of Energy Points that put the customer at the center and offer a wide range of services.

Key Rating Assumption

ESA, previously known as SH ENERGIE, has demonstrated sound economic and financial management, with solvency indicators improving due to increased capitalization and the reduction of medium/long-term financial debts. The company has maintained constant liquidity, allowing it to meet its short-term commitments.

In March 2024, ESA changed its corporate name to ESA SRL Benefit Company, introducing specific regulatory references in its corporate statute in line with the concept of a “benefit company”. Subsequently, in April 2024, the company transformed from SRL to SPA, establishing a collegiate control body in place of the original single auditor.

As a benefit company, ESA promotes sustainable energy use, enhancing renewable sources and encouraging conscious and efficient energy consumption. It is committed to safeguarding diversity and integration among employees and collaborators, promoting work-life balance. ESA stands out in the electricity market as a dispatching company, managing the kWh generated by producer partners for grid injection and providing green energy to the Group's customers. The company is positioned among the largest in the sector in terms of turnover, maintaining good solvency and profitability.

The energy sector in Italy, of considerable strategic importance, has seen a growth in the contribution of renewable sources to energy production, benefiting from favorable climatic conditions in 2023. Finally, Italian macroeconomic conditions are improving, although economic growth is expected to slow further during 2024. However, in the medium to long term, a slowdown in inflationary pressure is expected, benefiting both GDP growth and public debt sustainability. The political elections have resulted in a solid majority, which could support the current Government until the end of the legislature. Macroeconomic forecast data could be revised upwards.

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 trend of improvement in the leverage indicator continues; The net financial position remains contained, thanks to the progressive decrease in financial items; The macroeconomic and geopolitical context is improving. <p>If these conditions materialise, we could have a rating upgrade to A3-.</p>
Downgrade	<ul style="list-style-type: none"> Marked contraction in margins, leading to a decline in profitability indicators; Decline in liquidity and cash flows; Increase in volatility in energy markets. <p>If these factors occur, we could have a rating 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.

Modefinance hereby informs that third parties connected to the rated entity have purchased ancillary services from modefinance (preliminary rating and corporate credit rating). Modefinance guarantees that the provision of such services does not create conflicts of interest with its rating activities.

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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