

Tuesday, 06th August 2024

modefinance Corporate Credit Rating (Solicited) for

ITALIA POWER S.P.A.: B1+ (Affirm)

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

ITALIA POWER S.P.A. is an Italian company operating in the energy sector since 2016 and, within its first years of existence, has developed a marked lateral diversification, expanding its business to energy efficiency, commercialization of green mobility products, mobile telephony, and clothing. The Company's fast strategic expansion makes it one of the leading ESCo Utilities in Southern Italy, continuously growing as evidenced by the +14% YoY expansion of revenues recorded in 2023 (EUR 33.4 mln).

Key Rating Assumption

The Company ITALIA POWER S.P.A. confirms the good economic-financial situation overall. In 2023, sales revenues increased by +14% (EUR 33.4 mln), contributing to strengthening the EBITDA margin (EUR 3.52 mln; +89.59%). Despite the significant increase in financial expenses associated with the sale of tax receivables, the net income (818 thousand euros) increased as well. The financial balance and the liquidity management are adequate. On the solvency front, an increase in the indicators is observed due to the new accruals of bank debts. However, the net financial debt (8.49 mln euro) remains sustainable in relation to the capitalization and operating margins produced.

The Company governance and control structure include a collegial administrative body, supervised by the Board of Statutory Auditors. The Company adopts the organizational model ex-231/2001, according to which it has appointed a single-member supervisory body. The corporate structure is lean and includes two SRLs, controlled by two members of the Board of Directors of Italia Power itself.

Thanks to the increase in sales revenues, in 2023 the Company recorded an improvement in its size positioning, ranking among the largest companies in the peer group in the range up to 50 mln in turnover. The positioning in terms of solvency and profitability sees the Company near the median of the sample.

The peer group show adequate performance in the three areas considered. Solvency indicators improved during 2023, highlighting an adequate capital endowment. The financial balance appears correct throughout the period under review. The performance in terms of profitability is also appreciable.

The energy sector in Italy, which is of considerable strategic importance, has undergone a radical transformation in recent years due to the Russian-Ukrainian conflict, which forced the country to a necessary reshaping of its supply sources. During 2023 the sector has stabilized, also benefiting from the consistent growth in the contribution of renewable sources to energy production. Looking at the Italian macroeconomic framework, GDP growth in 2024 is expected to be restrained i by by still high interest rates, inflation, and an unfavorable international environment.

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
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Upgrade

- Growth in margins still increase;
- Proper liquidity of tax receivables is confirmed in 2024;
- The macroeconomic growth forecasts exceed expectations.

In the case these conditions are met, the rating could upgrade to A3

Downgrade

- NFP/EBITDA ratio moves to concerning values;
- Significant drop in sales revenue and operating margins;
- Geopolitical tensions and high inflation dampen consumptions and investments, impacting economic growth.

If these conditions were to occur, we can expect a downgrade to B1-.

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

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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