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Monday, 7th October 2024

modefinance Corporate Credit Rating (Solicited) for

CP S.P.A.: B1 (upgrade)

modefinance published the Solicited Corporate Credit Rating of CP S.P.A. on the website (http://cra.modefinance.com/en) and the rating assigned to the entity is B1 (upgrade). The analysis revealed how the company has adequate capabilities to honor obligations and can face adverse and changing economic conditions in the medium and long term.

CP S.P.A. has been selling energy and gas to industrial and retail customers, mostly within the Chinese community, since 2013. In 2023, the company began operating on the Italian Electric Power Exchange (GME), sourcing energy directly from the market at more favorable rates. The ability to offer customer service in both Chinese and Italian, as well as using the popular WeChat app, are key factors in fostering customer loyalty; this is confirmed by the low levels of churn rates for both electricity and gas. The company's share capital amounts to 500,000 euros and is fully owned by the holding company Sinergie Partners S.R.L.. The parent company is connected to the same founders and directors of CP S.P.A., Jin Marco and Song Shengzhong Luca, and holds investments in other sectors such as real estate and construction. The Board of Directors (BoD) is composed of Mr. Caso Fabrizio and the two aforementioned founders, who hold prestigious positions within the Italian Association of Chinese Entrepreneurs. This BoD is supported by a collegial supervisory board.

Key Rating Assumptions

CP S.P.A. ("the Company") shows a good economic and financial position. This is due to improved operating margins resulting from revised sales conditions and a more efficient procurement mix (GME vs. bilateral contracts). This dynamic has led to good profitability, significant capital strengthening due to the absence of dividend payments, and improved solvency and debt sustainability indicators.

Direct procurement on the power exchange has led to the absorption of the operating cash flows. Cash drainage was attributable to financial support provided to affiliates and, to a lesser extent, to investments in financial securities.

In 2024, management expects a consolidation of economic results driven by higher income from investment activities and the growth of Company's customer base, which stood at around 8,000 points as of June 2024 (+39% for PODs and a +28% for PDRs compared to December 2023).

The Company's position compared to its peers is strong in terms of size (75/100), excellent in terms of profitability (82/100), and in line with the median regarding solvency (54/100). The peer group showed improvements in profitability, liquidity, and solvency in the last fiscal year (2023).

The fundamentals of the energy sector in Italy have improved due to the stabilization of gas and energy prices, which were previously volatile and reached record levels in 2022. However, the growing importance of LNG in the energy mix (42% of EU gas imports in 2023 compared to 20% in 2021) as a substitute for Russian pipeline gas leads to higher supply costs. Furthermore, this exposes Italy to the risk of potential price increases based on global market dynamics, such as increased gas demand in Asia and changes in shale gas extraction policies in the U.S.

Italian GDP growth is expected to be modest in 2024 due to tight financial conditions, with high interest rates in the eurozone, inflation still above 2% which is impacting household spending and investment, and the risk of a global economic slowdown due to high geopolitical tensions in the short term.

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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	• Improved cash flows due to enhanced economic performance; • Strengthened credit management, resulting in fewer overdue receivables; • Favorable macroeconomic environment leading to stronger growth. If these conditions are met, the rating could upgrade to B1+.
Downgrade	• Deterioration in customer portfolio quality; • Significant increase in group financial support, leading to growth in net financial position (NFP); • Deterioration in macroeconomic or industry outlook. If these factors are met, the rating could 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://registers.esma.europa.eu/cerep-publication/ 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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