

Thursday 7th November, 2024

modefinance Corporate Credit Rating (Solicited) for

INNOVATEC S.P.A.: B1+ (Affirm)

modefinance published the Solicited Corporate Credit Rating of INNOVATEC 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 an average capability of repaying financial obligations and it is little affected by adverse economic scenarios.

The company INNOVATEC S.P.A. is a holding company listed on Borsa Italiana, specializing in Clean Technology. This encompasses a wide range of technologies that develop processes, products, or services aimed at reducing negative environmental impacts by improving energy efficiency, utilizing sustainable resources, and engaging in environmental protection activities. Founded in 2013, the Company focuses on developing energy efficiency projects, products, and services offered to other businesses. Additionally, it is involved in renewable energy, including the construction and management of plants for electricity generation from renewable sources.

Key Rating Assumption

In FY2023, the INNOVATEC Group confirmed a balanced economic and financial situation overall. Economic performance was adversely affected by the macroeconomic environment and a contraction in ecobonus-related business. Despite a decline in revenues (218.04 mln euros; -24% YoY), the Group maintained operating margins (13%) at an adequate level. Net profit was significantly affected by interest expenses on loans and the sale of ecobonus receivables, closing at 210 thousand euros, with a consequent impact on ROE (0.44%). The financial balance was confirmed to be sound, as evidenced by a stable current ratio above unity (1.05). Finally, net financial debt (60.09 mln euros) remains well-balanced in relation to both equity (48.19 mln euros) and EBITDA (26.97 mln euros). Regarding cash flows dynamics, in FY2023, the Group confirmed efficient operational management, generating positive operating cash flow (OCF) through substantial self-financing, which was partially offset by net working capital. Incoming resources also came from the financial system to support investments, which remain substantial year after year in order to support the development of all the business areas.

The Company's governance and control structure is confirmed to be in line with best practices. The Group's structure, though complex, is clear in the roles and relationships among its various companies.

In comparison to its reference peer group, the Company's positioning is proportionate in terms of size. However, on solvency and profitability metrics, it falls below the median. Nonetheless, as previously mentioned, the Group's financial debt remains sustainable. Industry trends indicate a sound financial balance, supported by adequate capitalization and solid ROE performance.

Economic growth is expected to remain modest in 2024, although the overall macroeconomic framework shows general improvement over 2023.

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"> Increased operating margins and net income; Liquidation of Superbonus-related receivables contributes positively to liquidity; Recovery of an adequate level of ROI and ROE; Reduced geopolitical tensions and lower inflation support the economic growth positively. <p>n the case these conditions are met, the rating could increase to A3.</p>
Downgrade	<ul style="list-style-type: none"> An increase in net financial debt leads to an imbalance relative to equity and/or EBITDA;

- Sharp contraction in economic margins;
- Reduced consumption and investment undermine the macroeconomic outlook.

If these conditions were to occur, we can expect a rating 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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