

Friday, November 05, 2024

modefinance Corporate Credit Rating (Solicited) for  
**INNOVATIVE-RFK S.P.A.: A3 (Affirm)**

modefinance published the review of the Solicited Corporate Credit Rating of INNOVATIVE-RFK S.P.A. on the website <http://cra.modefinance.com/en>. The rating assigned to the entity is A3 (Affirm). The analysis revealed that the company's capacity to meet its commitment on financial obligations is strong.

Innovative-RFK (hereinafter "the Company" or "I-Rfk" or "the holding") is an investment company founded in 2017 by the same partners as Red-Fish Kapital, a company with long-standing experience in private equity investments. Listed on the Euronext Access market in Paris since 2020, after having conducted a crowdfunding campaign that raised €2.5 million. I-Rfk invests in innovative start-ups and SMEs in a "*growth-stage*", aiming to increase their long-term value by providing operational and strategic support in areas such as internationalization, M&A, and potentially initial public offerings (IPOs). I-Rfk's average investment amount typically ranges from €0.5 million to €3 million.

## Key Rating Assumption

I-RFK has been listed on the Euronext Access market in is governed by a board of directors and a board of statutory auditors, supported by an external auditing firm in charge of auditing the Company's financial statements.

As an investment company, it holds 12.2% stake in the listed company Websolute, along with other minority and majority stakes in companies primarily operating in the digital/software and biomedical sectors. As of December 2023, the holding company's NAV per share significantly exceeded its share price and given the performance of the investees, Management does not foresee write-downs in 2024.

The pro forma consolidated figures for 2023 indicate a turnover of EUR 13.0 million and an EBITDA of EUR 2.3 million, reflecting solid margins of approximately 18%. The consolidated Net Financial Position (NFP) stood at EUR 5.6 million as of December 2023, due to the cash outflow of €6.4 million for the acquisition of a 51% stake in Audio Technologies and Abbrevia.

The Company maintains a strong solvency and an adequate level of fixed asset coverage. Although profitability was negative in FY23 due to the absence of capital gains, it has significantly improved as of June 2024, largely due to

the sale of Web al Chilo, which has led to a rise in cash and cash equivalents in the first half of 2024, from €0.6 million to €2.5 million..

In the future, Management will refrain from investing in additional investees, instead focusing on enhancing the value of the current investees, securing dividends, and executing strategic disposals that yield strong returns (in terms of IRR and MOIC) for shareholders.

Most Italian innovative start-ups are still in early development stages; however, those that are profitable show higher profitability levels compared to other companies, achieving solid returns. From a financial perspective, all innovative start-ups demonstrate adequate financial independence, supported by a strong equity base.

## Sensitivity Analysis

In the following table, the addressing factors, actions or events that could lead to a rating upgrade or a downgrade are summarized:

Action	Description of the addressing factors, actions or events
<b>Upgrade</b>	<ul style="list-style-type: none"> <li>Improvement in the economic and financial performance of the company and its subsidiaries;</li> <li>Improved cash flows from dividends received or from the sale of subsidiaries, achieving high levels of IRR (internal rate of return) and MOIC (multiple on invested capital);</li> <li>Improvement of the macroeconomic and geopolitical context.</li> </ul> <p>Should these conditions occur, the rating could be upgraded to A3+.</p>
<b>Downgrade</b>	<ul style="list-style-type: none"> <li>Contraction of subsidiary companies' results, with a negative impact on the holding company's NAV per share;</li> <li>Weakening of the holding company's economic and financial performance;</li> <li>Deterioration of the macroeconomic and geopolitical context.</li> </ul> <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://registers.esma.europa.eu/cerep-publication/> and ESMA European Rating Platform

[https://registers.esma.europa.eu/publication/searchRegister?core=esma\\_registers\\_radar](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.

A related party of the rated entity is a buyer of ancillary services provided by modefinance (Private 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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