

Monday, 9th December 2024

modefinance Corporate Credit Rating (Solicited) for
FENIX S.R.L.: B1 (First issuance)

modefinance published the Solicited Corporate Credit Rating of FENIX S.R.L. on the website (<http://cra.modefinance.com/en>) and the rating assigned to the entity is B1 (First issuance). The analysis revealed it is a company with adequate economic and financial situation, capable of facing adverse economic conditions in the medium and long term.

FENIX S.R.L. is an Italian company located in Faenza, that specializes in the wholesale trade of electricity and, to a lesser extent, natural gas. Founded in 2015, the Company is active in both the electricity market input and off-take chains. In the gas market, it operates as a shipper.

Key Rating Assumption

The Company's overall economic and financial situation is adequate, showing a gradual improvement in the balance between its own resources and external funding in terms of solvency. Additionally, the level of indebtedness towards credit institutions is low and fully covered by cash. The financial exposure is manageable and sustainable, with a good balance between loans and short-term funding sources. The management of credit lines and liquidity has proven to be effective.

In FY2023, the improvement in operating margins resulted in higher returns on both capital invested and equity, indicating a positive level of profitability overall. A significant increase in the volumes of electricity and gas handled is expected for 2024.

FENIX S.R.L. has a collegial administrative body consisting of three directors. The statutory auditing of the financial statements is managed by an external professional. However, considering the company's size and its commitment to growth, it is advisable for the company to appoint a board of statutory auditors.

When compared to its reference peer group, the Company stands out for its positioning in terms of solvency and profitability. The positioning in relation to turnover is satisfactory. The peer group demonstrates adequate levels of capitalization, along with balanced financial leverage. Profitability levels in the sector continue to be high and are strengthening.

The fundamentals of the energy industry have improved due to the stabilization of gas and energy prices, along with a reduction in their volatility compared to the peaks observed in 2022. However, significant concerns persist regarding potential negative developments within an increasingly unstable global geopolitical context. The Italian economy is projected to experience moderate growth in 2024, with more favorable prospects for the subsequent two years.

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

- The distribution of dividends does not affect the progressive enhancement of capitalization;
- Improvement in the balance between short-term sources and uses, partially due to a reduction in security deposits paid;
- Appointment of a new board of statutory auditors;
- Geopolitical instability decreases, accompanied by an improvement in the macroeconomic environment.

In the case these conditions are met, the rating could upgrade to B1+.

Downgrade

- Increase in financial debt resulting in a significant decline in net debt and debt sustainability ratios;
- The excessive increase in working capital, associated with business growth, adversely impacts cash flow balance;
- Decrease in operating margins and profitability overall;
- Deterioration of the macro-economic, geopolitical environment, or reference sector.

If these conditions were to occur, we can expect a downgrade to B2+.

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 company purchased ancillary services from modefinance (preliminary rating). Modefinance guarantees that this purchase of ancillary activities does not constitute any conflict of interest.

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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