

## RATING COMMUNICATION

Cerved Rating Agency S.p.A. confirms the public rating

**B1.1**

of **I.CO.P. S.p.A. Società Benefit**

Basiliano (UD) – Via Silvio Pellico 2 – Italy

Cerved Rating Agency on 15/02/2023 confirmed the B1.1 rating of I.CO.P. S.p.A. Società Benefit

First rating issue: 28/11/2016

*I.CO.P. S.p.A. Società Benefit (Benefit Corporation), founded in 1920, leads the Group of the same name (hereinafter "I.CO.P." or "the Group") specialised in the construction, foundations and special engineering works sector. I.CO.P. is headed by the third generation of the PETRUCCO family. The share capital is currently subscribed and paid up for EUR 25 million, with 79.6% of the shares held by the family holding company CIFRE S.r.l. and 20% by the financial partner FRIULIA S.p.A. Despite maintaining the characteristics of a family business, over the years I.CO.P. has adopted a structured governance model. The Group has always focused attention on the issue of business innovation and sustainability, both with reference to the social and environmental impact of the business, aspects that helped it obtain the legal recognition of "Benefit Corporation" in 2020, and an ESG rating in class AA in FY22. The procedure for obtaining "B-Corp" qualification is nearing completion.*

### **RATING FACTORS**

The confirmation of the rating reflects: (i) the healthy recovery in FY22 in terms of margins, after a 2021 characterised by a lower than expected consolidated EBITDA margin and adversely impacted by a lower capacity to absorb structural fixed costs and by the postponement of highly profitable orders; (ii) the partial reversal of the trend at business level highlighted in FY22 (approximately +10% YoY), after a two-year period 2020/2021 characterised by a significant decline in the Value of Production (VoP) due to a general slowdown in the start-up of tenders; (iii) the maintenance of a level of leverage at the end of 2022 in line with the current risk profile. The prospects for the results that can be achieved in the next three years appear to be positive, years in which development of the business will remain heavily dependant, in addition to the usual core business, on the progress of the project relating to development of the port of Trieste.

**Confirmation of a solid positioning in the reference sector** - In a sector context characterised by combination processes, I.CO.P. sets itself apart from the big players by virtue of its focus on particular niche segments, a factor that guarantees good visibility both on the domestic market (83.5% of the 2022 VoP) and internationally (with a special focus on France and Scandinavian countries). The Group's business includes four distinct lines of activity, namely "Special Foundations" (34% of VoP 2022), "Microtunnels" (32%), "General Constructions - EPC" (19%) and "Maritime Works" (15%), the latter experiencing significant growth and concentrated essentially on the development of the PLT - "Trieste Logistics Platform" project. Participation (with a 10% share) in ETERIA, a permanent consortium established in 2021 at the initiative of two key players in the sector, namely the CALTAGIRONE group and the GAVIO group, will act as a major driver of the Group's development over the next few years.

**Recovery of margins in FY22 despite a lower than expected business result** - After a two-year period characterised by a marked decline in business (with a VoP from EUR 151.3 million in FY19 to EUR 77.7 million in FY21), during FY22, I.CO.P., albeit showing a partial recovery, achieved a lower VoP (EUR 88 million based on preliminary results) than Budget

forecasts, affected by delays in the start-up of some orders. In any case, a marked improvement in margins was recorded, with a preliminary EBITDA margin higher than 17% (the *reported* FY21 figure was 12.7%), a significantly higher percentage than the Group's track record, the result of a different weight assumed by the BUs (with particular reference to processing at the Trieste Logistics Platform, intrinsically characterised by greater profitability).

**Maintenance of a sustainable level of leverage** - The extensive financial funding in recent years guaranteed adequate support for the Group's operating activities during FY22. In the absence of significant deviations in the management of working capital and capex indicated of around EUR 7 million, I.CO.P., in line with figures reported in recent years, was also able to benefit from a positive Free Cash Flow. The preliminary data available at the end of 2022 show a Net Financial Position (NFP) of approximately EUR 45 million, with a sustainability ratio such as to guarantee compliance with the covenants in place on the "ICOP TF 4.95% 2020-2026 Amort Eur" bond. In December 2022, I.CO.P. arranged early redemption of the "ICOP Tf 5.6% Ott23 Amort Eur" bond, while the use of new bank loans was limited. The NFP at year end does not take into account restricted liquidity for EUR 10 million (*collateral* of a bank guarantee issued to support acquisition of the shares in LOGISTICA GIULIANA, a special purpose vehicle dedicated to development of the PLT project) and advances from INVITALIA for EUR 5.6 million collected in arrears in January 2023 (also referring to a contract relating to the port of Trieste).

**Growth strategies and expected results** - The growth strategies outlined in the Business Plan see I.CO.P. involved in the next few years in construction of the logistics platform in the port hub of Trieste, with significant business returns (backlog of around EUR 80 million). The Plan also outlines the growth of the Group's historic businesses, especially at domestic level, making the most of its strong positioning and references accrued. Entry into the ETERIA Consortium is a further opportunity for development, offering the opportunity to participate in tenders promoted throughout the country as part of the implementation of projects supported by NRRP funds. Given these assumptions, management assumes business growth at rates higher than that recorded in FY22, with a target VoP for FY23 close to EUR 125 million, an objective deemed achievable by Cerved Rating Agency in relation to an orders portfolio of EUR 350 million at the end of 2022, with a backlog/VoP coverage in FY23 of 91.8%. On the other hand, margins are expected to be down slightly compared to the FY22 exploit, with an EBITDA margin ( $\approx 14-15\%$ ) in any case more than respectable for the segment. Despite higher capex ( $\approx$ EUR 18 million in the two-year period 2023/2024), a progressive decline in NFP is indicated, with improving sustainability ratios. During 2023, the Group's finances could benefit from the HHLA GmbH investment in the share capital of LOGISTICA GIULIANA (thanks to the release of the aforementioned restricted liquidity and a rapid collection of receivables due from the subsidiary), while in the future there could be a significant impact from advances deriving from any participation in contracts financed by the NRRP (an assumption not currently expressed in the Plan as a prudent measure).

## **RATING SENSITIVITY**

- No positive rating actions are expected in the short-term.
- The rating could be downgraded if: (i) margins and the ability to generate cash flows deteriorate; (ii) the financial structure is burdened ( $NFP/Equity > 1.0x$  and/or  $NFP/EBITDA > 3.0x$ ).

The methodology used is available on the website of the Cerved Rating Agency – [www.ratingagency.cerved.com](http://www.ratingagency.cerved.com)

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