

## 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 16/02/2022 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, was founded in 1920 and is the holding company for the same-named Group (hereinafter referred to as "I.CO.P." or "the Group"), which specializes in construction, foundation, and special engineering services. I.CO.P. is owned by the third generation of the PETRUCCO family. In 2020, the shareholder FRIULIA S.p.A. increased the share capital (from 11 to 25 million Euro) through the conversion of reserves to equity and the injection of cash (3 million Euro). While retaining the characteristics of a family business, I.CO.P. has evolved into a structured and effective governance model throughout the years. The Group has always placed a premium on innovation and the sustainability of its operations (ESG factors), with a particular emphasis on the social and environmental impact of those operations, factors that have contributed to the Group acquiring legal recognition as "Società Benefit" in 2020.*

### **RATING FACTORS**

The rating confirmation reflects the company's ability to maintain a margin in line with the prior year in FY21, despite a lower than expected volume of business. Despite less favourable working capital dynamics, the cash flow generated by operations remains positive, to ensure a reduction in NFP, which is also a result of lower capex. I.CO.P. holds a commanding position in the sector, where it is regarded as a benchmark nationally, also on an international scale. The outlook for the results to be achieved in the next three years is positive, as these will be years during which the company will be heavily focused on the development of the business, in addition to its regular core activities, such as the progress of the port of Trieste development project Trieste.

**Good positioning within the sector** - Within a sector characterized by aggregation processes, I.CO.P. distinguishes itself from the large players with its strong focus on particular niche segments, a factor that ensure it has a significant presence both the domestically (75% of the 2021 VoP) and internationally (with particular focus on France and, above all, Scandinavian countries). The Group's business is divided into four distinct segments: "Special Foundations" (which accounted for 29% of the 2021 VoP), "Microtunneling" (54%), "General Construction - EPC" (9%) and "Maritime Works" (8%), the latter of which is expected to expand rapidly in the coming years and is primarily focused on the development of the "Trieste Logistics Platform" project. I.CO.P.'s recent membership (with a 10% stake) in ETERIA, a stable consortium established in 2021 on the initiative of two major players in the sector, namely the CALTAGIRONE group and the GAVIO group, will act as an important driving force for the Group's development over the next few years, guaranteeing I.CO.P. the possibility of participating in orders with a significant economic and reputational impact, as well as of intercepting in the best possible way all the new business opportunities linked to the *Recovery and Resilience Plan* (PNRR).

**Confirmation of reasonable margins in FY21 despite concomitant decline in business** - Contrary to budget forecasts, in FY21 I.CO.P. recorded, at consolidated level, a new significant decrease in business (-30.5% YoY), achieving a Value of Production (VoP) of €77.2 million at consolidated level, based on pre-closing figures. This trend is related to the delayed

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progress of some contracts for reasons not directly attributable to the Company, but also to the postponement of some important tenders. In any case, there was a consolidation of the margins shown in FY20, in relation to a non-rigid cost structure, but also to the one-off effect linked to activities with high added value. The year recorded a profit of EUR 2.3 million against an EBITDA of EUR 12.4 million, which is reflected in an EBITDA margin of 16.1%, almost unchanged from the previous year.

**Maintaining a balanced financial position** - Despite the absorption of cash by working capital (which is particularly detrimental in FY21 as a result of the decision to adopt shorter DPOs), I.CO.P. appears capable of generating positive operating cash flows (Net Operating Cash Flow of EUR 6.3 million in 2021), a dynamic that also ensured complete self-financing of capex implemented in 2020/2021 (which was lower than the average for previous years) and re-absorption of the Net Financial Position in 2020/2021. (NFP). Net of liquidity (which increased to EUR 31.6 million), the NFP at the end of 2021 decreased to EUR 33 million (EUR 39.9 million at the end of 2020), with sustainability ratios, NFP/Equity=0.9x (1.2x at the end of 2020) and NFP/EBITDA=2.7x (2.2x at the end of 2020), confirming a sustainable leverage level. It is important to note that substantial recourse to bank loans (largely guaranteed by SACE), along with the new 2020 bond issue, have allowed the consolidation of the existing debt over the M/L term in the last two years.

**Growth strategies and expected results** - The growth strategies outlined in the Industrial Plan see I.CO.P. committed in the next few years to the construction of the logistics platform within the Trieste port hub, with significant business returns (the backlog indicates work for approximately 50 million euros, spread over the three-year period 2022/2024, mainly related to the reclamation and conversion of the former Ferriera di Servola area). Additionally, the Plan also outlines the growth of the Group's historical businesses, both in Italy and abroad, by capitalizing on the Group's strong positioning and references. Becoming a member of the ETERIA Consortium provides further opportunity to participate in important tenders in Italy's Recovery and Resilience Plan (RRP). As regards to 2022, the budget indicates, against a growth in value of production (VoP) (+69% YoY), a possible slight contraction in margins (EBITDA margin≈14.5%) attributable to a different mix of the various activities, however without compromising the ability to generate a positive net operational cash flow (NOCF), also in relation to a more efficient management of working capital. Cerved Rating Agency considers these objectives achievable, given a backlog (€88m) that covers about 68% of the expected VoP. Despite higher capex (≈ €26 million in the three-year period 2022/2024), a gradually decreasing NFP is indicated (≈ €24 million is expected by the end of 2022), along with improving sustainability ratios.

## **RATING SENSITIVITY**

- In the short term, full attainment of the Plan's objectives will result in the Plan's existing rating class being maintained.
- The rating may be downgraded in the event of: (i) deterioration of the margins achieved and of the capacity to generate cash flows; (ii) increase in financial structure (NFP/Equity>1.0x and/or NFP/EBITDA>3.0x); (iii) inability to absorb any adverse effects associated with the trend of macroeconomic variables (i.e., price and raw material shortages) and/or a sudden change in sector dynamics.

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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*The rating of the Cerved Rating Agency, issued in accordance with Regulation (EC) 1060/2009 and subsequent amendments and additions, is an opinion on the credit merit that expresses in summary the ability of the evaluated entity to meet its obligations punctually. The rating of the Cerved Rating Agency does not constitute investment advice or financial advice; it does not constitute recommendations for the sale of securities or the holding of particular investments, nor does it provide any indication of whether a particular investor should make a particular investment. The rating is subject to continuous monitoring until it is retired. The rating was issued at the request of the subject assessed, or third parties connected to it, who participated in the process by providing the necessary information requested by the analytical team. In addition, available public information and proprietary information obtained from sources trusted by the Cerved Rating Agency were used in the analysis. The rating has been communicated, within the time required by the regulation in force, to the subject evaluated for the verification of possible material errors.*