

Monday, April 19th, 2021

modefinance Corporate Credit Rating (Solicited) for
INNOVATIVE-RFK S.P.A.: B1 (downgrade)

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 B1+ (first issuance). The analysis revealed that the company has average capability of repaying financial obligations, although possible adverse macroeconomic conditions or different management or strategies might impact on the capability of repaying debt.

Innovative-RFK is an investment company founded in 2017 by the same partners as Red-Fish Kapital, a company that has long been active in the field of private equity investments. The investment target of i-RFK is innovative Start-ups and SMEs with a solid profitability profile in terms of marginality, turnover growth and cash generation. i-RFK stands as an investment partner through the purchase of minority shares, while increasing SME and start-ups values and leading them towards a listing on AIM Italy stock exchange or other Growth Market SME.

Key Rating Assumption

The company has an adequate economic and financial situation, although, it shows a decline in profitability also dictated by strategic and financial choices. The situation is not surprising, as the company is focusing its efforts on investments activities in anticipation of future returns. The analysis of the Italian Central Credit Register does not report any critical issues.

The company is listed on Euronext stock exchange market and about a quarter of the shares are floating. The stock has experienced little price fluctuations, mainly due to its lack of liquidity. Nevertheless, the company has not been affected by the crisis caused by the outbreak of Covid-19.

The corporate structure is stable and all the subjects, both physical and legal, appear well-defined in their roles and responsibilities.

The company was founded in 2017 and went public on Euronext in 2019. In 2020 it further strengthened its growth by increasing investments, supported by an increase in capital and an inflow of alternative financing to bank debt.

Compared to the reference peer group, the company appears well positioned in terms of solvency and size. Profitability can be improved.

The innovative SMEs market, in which the analyzed company invests, constantly grows in terms of numbers, turnover, and employed workforce. The pandemic does not seem to slow down this growth and the various governments continue to invest in the sector.

Under the macroeconomic point of view, the general conditions are negative, and the emergency related to the pandemic continues to burden the national and world economy. The continuous closures and general uncertainty can only make everything very difficult.

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
Upgrade	<ul style="list-style-type: none"> Improvement in profitability of the company and its subsidiaries; Recovery of the global economy after the crisis caused by the Coronavirus, also thanks to the support of solid forward-looking national and EU policies. <p>Should these conditions occur, the rating could be upgraded to B1+.</p>
Downgrade	<ul style="list-style-type: none"> Worsening of the company's profitability and economic-financial balance; Failure or slow recovery of the global economy; <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://cerep.esma.europa.eu/cerep-web/> 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 (credit risk software).

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.