RATING COMMUNICATION

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

A3.1

of **C.I.B. Srl - Carpenteria Industriale Bresciana**

Castegnato (BS) – Via Padana Superiore, n°106

On 12/09/2019 Cerved Rating Agency confirmed the rating A3.1 of C.I.B. S.r.l. - Carpenteria Industriale Bresciana.

First rating issue: 20/09/2014

Carpenteria Industriale Bresciana (below C.I.B. Srl) has been operating since 1968 in the heavy metal fabrication sector, specializing in the construction of large components for the hydroelectric, cement-mining and iron-and-steel sector. The Company is owned by the founding families Mattanza – Molinari – Pasini, who each hold 33.33% of the share capital.

Key rating factors

- ***Business model and market positioning***

The core business of *C.I.B.* Srl focuses on a market niche in the engineering sector, consisting of large-scale metal fabrication work (up to a diameter of 16 m and weight of 400 tons), combining design skills with high quality standards in the production processes, rigorously certified, manufacturing components for application in complex works. *C.I.B.* Srl operates in diversified outlet sectors, mainly cement-mining and hydroelectric. It carries out all the work process phases in-house, operating in synergy with long-standing loyal foreign customers; the high level of project customization also represents a competitive advantage. The dynamics of the reference sectors have resulted in the company expanding its offering also to other manufacturing processes, exploiting its production capacity where costs are covered, with room for further improvement in margins. The company operates mainly on the foreign markets, with an export quota accounting for around 82% of the turnover in 2018.

- ***Key financial results***

In 2018 *C.I.B. Srl* recorded a Value of Production (VoP) of 12.5 million euro, a slight reduction (-2.7%) compared to the previous FY, reflecting the dynamics of the outlet markets. The operational management confirmed its capacity to produce margins, generating an EBITDA margin adj. of 15.7%, albeit lower than 2017 (17.1%), due to an increased incidence of expenses for services connected with additional external costs required by some orders, and personnel costs. Despite the substantial depreciation deriving from the structural investments made, the EBIT is positive in the amount of 248 thousand euro (293 thousand euro in 2017). The equity, equal to 52% of the financing sources (39.4% in 2017), together with the consolidated debt, provide structural solidity vis-à-vis the durable capital investments. The Net Debt, inclusive of financial lease debts, recorded a reduction to 1.2 million euro in 2018 (1.4 million in 2017), determining a further improvement in the Net Debt/EBITDA adj. ratios to 0.59x (0.64x in 2017) and Net Debt/Equity adj. 0.08x (0.10x in 2017). On the basis of the orders portfolio in July 2019, consolidation of the VoP is predicted for FY 2019, while margins are expected to improve due to a policy of rationalization of operating costs and production efficiency enhancement.

- ***Liquidity***

The long-term nature of the orders may affect the company's liquidity. In 2018 the company generated a positive Net Operating Cash Flow of 436 thousand euro (961 thousand in 2017), in relation to a Gross Operating Cash Flow in line with the previous FY. No significant cash flow variations are predicted for 2019.

Key risk factors

- **Market risk**

The market risk derives from the economic trend of the outlet sectors and the countries served, against which the company protects itself by adequate diversification. The increased competition of the Asian countries is mitigated by pursuing a policy of high product quality.

- ***Operational risk***

The enlargement of the production structure has reduced the operational risk, having improved internal efficiency and delivery times, simultaneously extending the manufacturing potential, all decisive factors in view of the large-scale works produced. Infrastructural factors could constitute a risk for transport of the products.

- ***Financial risk***

The high standing of the customer portfolio, composed of primary international operators, mitigates the credit risk. The company benefits from substantial customer down payments which constitute an important source of financing for the company, which also has adequate banking support. The efficiency achieved in the production process and optimization in management of the operating cycle favour adequate liquidity flows.

Rating assumptions

- Expectation of a stable Value of Production in 2019, in line with the orders portfolio.
- Maintenance of good margins due to improved production efficiency.
- Stability of economic-financial ratios and absence of significant variations in the financial structure.

Rating sensitivities

- Achievement of the expected economic results, in the absence of deterioration in the financial balances, would result in maintenance of the rating class attributed.
- A serious worsening in economic performances and/or a significant deterioration in the financial leverage could lead to a negative rating action.

The methodology used can be consulted on the Cerved Rating Agency website – www.ratingagency.cerved.com

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