RATING COMMUNICATION

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

B1.1

to MACPI PRESSING DIVISION S.p.A.

Palazzolo Sull'Oglio (BS) – Via Piantada, n°9/D

On 04/09/2019 Cerved Rating Agency assigned the rating B1.1 to MACPI PRESSING DIVISION S.p.A.

MACPI PRESSING DIVISION S.p.A. (below Macpi, the Company) was established in 1989 by Giovanni Cartabbia, but its origins go back to 1961. The Company's core business is the design and production of machinery for the clothing industry. The reference shareholder with 99% of the share capital is MACPI SRL, a real estate holding company run by the Cartabbia family. The Group structure is based on three production firms and a commercial branch for the Asian market, all controlled by MACPI SRL.

Key rating factors

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

Macpi's activity falls into three business lines: *Ironing*, *Bonding* and *Hospitality Health & Community (HHC)*. The *Ironing* division, the company's historic core business (accounting for approximately 43% of the turnover in 2018), designs and produces machinery and equipment for intermediate ironing (seams) and final ironing of garments. The company also produces machinery for fusing garments and accessories under the *Bonding* division (accounting for 35% of the turnover in 2018) and for ironing garments in the hospital and/or work clothing sector under the *HHC* division. In 2019 the Company opened the *Reconditioning* business unit, for the production of garment reconditioning plants and logistics services. The business is geared to the foreign markets (export share of 60% in 2018), in particular Europe, USA and China. In order to improve margins, Macpi's strategy will be to increase the importance of the *Bonding* and *HHC* business units and the spare parts segment. Diversification of the offering over several market segments, a high level of customization of the machinery sold and a direct and comprehensive after-sale service are the factors that differentiate it from its competitors.

- ***Key financial results***

In 2018 Macpi's revenues amounted to 16.7 million euro, a growth of 10.9% compared to 2017, due to an increase in volumes. The Ebitda adj stands at 1.0 million euro (639 thousand euro in 2017) which is reflected in an Ebitda margin adj increased to 6.1% compared to 4.2% in 2017. This trend can be attributed to enhanced procurement efficiency and a lower incidence of personnel costs on the Value of Production (VoP). The Net Debt adj at 31.12.2018 stands at 2.0 million euro, a drop compared to the 2.3 million at the end of 2017, due to a reduction in M/L term bank debts. The Net Debt adj / Ebitda adj and Net Debt adj / Equity ratios have improved, amounting respectively to 2.01x (3.63x in 2017) and 0.27x (0.33x in 2017), highlighting that the company's capacity to sustain its financial debt is adequate. The forecasts for 2019 indicate a growth in revenues to 17.7 million euro, due above all to introduction of the new *Reconditioning* business line, and consolidation of the profit margin levels. At 31.12.2019 no significant variations are expected in terms of financial debt. The provisional data at 30.06.2019 confirm the budget projections.

- ***Liquidity***

In 2018 the company's Net Operating Cash Flow (NOCF) amounted to 503 thousand euro, a drop compared to the 2.1 million in 2017, due to a greater working capital requirement resulting from the business growth. The company confirms its capacity to self-finance the Capex, amounting to 187 thousand euro, as shown by the Free Cash Flow (FCF) of 316 thousand euro (1.4 million in 2017). Positive operating cash flows are predicted also for 2019.

Key risk factors

- ***Market risk***

The main risks are represented by the high level of competition and maturity in the main advanced markets. However, ongoing investments in Research and Development to ensure technological product and process innovations, together with a high level of diversification of the outlet markets and geographical areas, allow for mitigation of these risks. The Company files patents to protect itself from the risk of product and process copying.

- ***Operational risk***

A higher average pricing policy compared to its direct competitors could affect the growth of the business. The company holds insurance policies covering different types of risk (such as all risks, civil/criminal legal protection, product liability and loss of profit).

- ***Financial risk***

The credit risk is marginal due to the high standing of the customer portfolio and the methods used to regulate commercial transactions. The company is not exposed to the exchange risk as purchase and sale operations are carried out in Euro. In relation to the interest rate risk, it does not use hedging instruments. The cash flows generated by the operations and the support of the banks ensure that Macpi is not exposed to liquidity management problems.

Rating assumptions

- Growth in 2019 revenues to 17.7 million and consolidation of margins. In 2020 an increase in the Ebitda margin is expected due also to the contribution of the new Reconditioning business line
- Continuation of policy of efficiency enhancement/rationalization of purchases
- Maintenance of the current financial balance, due also to a positive NOCF

Rating sensitivities

- Achievement of the economic objectives of the business plan, together with the ability of the operational management to generate cash flows in the presence of a growth in volumes, preserving the current financial balance, could determine a positive rating action.
- Failure to comply with the assumptions could entail a negative rating action.

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

Lead analyst: Carmela Miranda – carmela.miranda@cerved.com
Deputy Chairman of the Rating Committee: Mara Cassinari – mara.cassinari@cerved.com

Cerved Rating Agency

Dear Sirs,

Cerved Rating Agency ("**CRA**") – fully owned by Cerved Group – is a credit rating agency specialized in the assessment of creditworthiness of Italian non-financial companies and debt securities issues; it is the leader in Europe for number of non-financial corporate ratings issued and it is ranked number 5 for annual turnover (source ESMA).

CRA is registered by ESMA (European Securities & Markets Authority) as a credit rating agency in accordance with Regulation EU1060/2009; it is recognised as an *External Credit Assessment Institution* (ECAI) in accordance with the prudential supervisory provisions for banks as per Regulation EU 575/2013 and it obtained by the European Central Bank the admission to the ECAF (*Eurosystem Credit Assessment Framework*) perimeter as a Rating Tool, therefore allowing banks to use the ratings assigned by Cerved Rating Agency for the constitution of collateral in refinancing operations with the European Central Bank system.

Cerved Rating Agency issues ratings of high quality, based on a rigorous and systematic methodology that guarantees a high level of accuracy and robustness.
CRA, has so far assigned more than 500 solicited ratings (directly requested by rated entities) to corporate entities, in addition to about 24,500 unsolicited ratings (the so-called «ECAI ratings»), requested by Italian financial institutions for regulatory purposes.
CRA holds more than 90% of market share for ratings assigned to bond issuers.

Furthermore, in 2016, the agency was successfully submitted to the due diligence process by the European Investment Fund (EIF); in February 2018 it published its first research paper entitled «Italian Non-Financial Companies Economic Outlook» and in April 2019 published its fifth «Default Study».