

Creactives S.p.A.

Analysts

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Corporate Rating Analysis Solicited

modefinance

CREACTIVES S.P.A.

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1. General Overview

CREACTIVES S.P.A.

Address	Via Enrico Fermi 4, 37135 Verona (VR), Italy
NACE Code	62.01 – Computer programming activities
Legal Form	Join stock company
Main Shareholders	FVS S.G.R. S.P.A. (20%) Mr. GARIBOTTO Adriano (20%) Mr. GAMBERONI Paolo (20%)
Website	www.creatives.com
EU VAT Number	IT03245350966
Year of Establishment	2000
Main Markets and Countries	European Union, China and United Arab Emirates
Subsidiaries	CREACTIVES GMBH (100%)
Account	Unconsolidated accounts
Turnover June 30th, 2019	4.644 th Euro

MODEFINANCE CORPORATE CREDIT RATING

B2+
(first issuance)

MODEFINANCE RATING CLASS DEFINITION

Average company with only enough capability of repaying financial obligations. Possible adverse macroeconomic conditions or different management or strategies might impact on the capability of repaying debt.

1.1 General Assessment

Financial analysis

Company's economic and financial condition can be considered "sufficient", constant over all the considered period. Creatives S.p.A. highlights a good level of capitalization and an adequate management of liquidity, while company's profitability is weak and it has weakened in comparison with the previous year.

Cash Flow

The analysis of the cash flows of the company is positive, mainly thanks to a good performance of the operating activity. Cash flow produced by operating activities is indeed sufficient to finance investments in fixed assets and also useful to cover loans and other financial debts.

Central Credit Register

The relationships with banks are solid and the company demonstrates a good credit reputation, also in the last considered period. No important overdrafts reported.

Entity's Size

Regarding the size, the ranking of the Company compared to its peer group is positive (60/100). In terms of solvency the situation is sufficient, with Company's score close to median value (46/100). The Company's position in terms of profitability is weak (38/100) and far from the median value of reference sector.

Longevity and legal status

The Company was founded in 2000 and it realizes a relevant part of its operating turnover in European Union, in China and in United Arab Emirates. No black records have been found on the Company, its shareholders and the board's members.

Governance and group analysis

The Company has a Board of Directors, which comprehends two direct shareholders and the main shareholder of the parent company ADD VALUE S.P.A.. The composition of the supervisory board is adequate. The Company is controlled by many shareholders, both physical persons and institutions. Additionally, the Company owns a German subsidiary.

Trend of Industry's Creditworthiness

The sector's leverage shows a slight reduction since 2015, on good levels. The financial leverage of the peer group is lower than the one recorded by the Company. Considering the liquidity, the sector's current ratio is higher than Company's value: both are on adequate levels and constant over the considered period. Industry's ROE is in constant growth, on higher levels than the one recorded by the Company.

Influence of Macroeconomic Conditions on the Company

Italy's economy is constantly between recovery and recession, and much will depend on the policies that will be implemented by the Government during 2020. Company's choice to operate in other countries is important in order to mitigate country risk.

Impact of relevant news of country

The situation referred to "Coronavirus" and its economic effects can have an important economic repercussion on the operating turnover of the main customers of CREATIVES SPA, which could impact negatively on the rated entity business.

1.2 General Information

CREACTIVES S.P.A. was founded in June 2000 as a cost reduction consulting company: company's main clients were manufacturing companies, utilities, oil and gas/mining companies and logistics companies. Indeed, supply chain opacity and ambiguity are problems that affects more than 100.000 companies in the world: the difficulty of implementing a common classification structure (taxonomy) leads to great inefficiencies, like over-dimensioning of inventories, with duplicates and obsolete spare parts. At the same time, the complexity of supply chain data is linked with multilanguage issues (a global multinational Company is typically present in more than 40 countries with more than 10 business languages). The CREATIVES S.P.A.'s supply is a comprehensive suite of applications for supply chain: cleansing and harmonizing existing data and creating a new precise and unique data.

In its twenty-year history, the Company has successfully completed several big projects, with a large amount of multilingual and cryptic data to be analyzed. In order to provide an effective cost-cutting strategy, the Company realized that granular categorization in a plurilingual environment is an enabling factor. Another key aspect is the management of part and services related to MRO (Maintenance, Repair, Operations), which make up for the vast majority of the so-called "Tail Spend": the hardest part of a company's expenditure to keep track of, mostly because it is extremely difficult to understand and monitor. Having to deal with so many projects, the Company proved that the MRO has a cross nature: in fact, the knowledge that Company gather from project is usually also exploitable for others.

As of today, the Company has one of world's largest knowledge base of industrial components. Actually, the Company originates its operating revenues in Italy, in the most important European countries (Austria, Belgium, Germany, Portugal, Spain and Sweden) and in two important extra-EU countries, as China and United Arab Emirates. At the same time, Company has commercial negotiations in progress with important clients in Brazil, Denmark, Egypt, Japan, Netherland, Mexico, Peru, United Kingdom and United States.

CREACTIVES S.P.A. headquarter is in Verona and it is also present directly in Germany (Karlsruhe) and Spain (Madrid).

1.3 Company Financial Analysis

The MORE Score assigned to CREATIVES S.P.A., based on the unconsolidated accounts, for the fiscal year ended on June 6th, 2019 is equal to 46.31%, at a "sufficient" level and stable compared to previous year.

The solvency's area highlights a good level of leverage ratio (1.79), which indicates an important capitalization: shareholders' funds are equal to 1.73 million EUR and sufficient to support the 35.86% of total assets (4.83 million EUR). Liabilities (3.1 million EUR) are mainly concentrated in the short term (2.19 million EUR; 70.60%) and its principal components are short term loans (1.09 million EUR; 49.70%).

In terms of financial indebtedness, we can observe a good level of financial leverage (0.95), that confirm the good capitalization level. At the same time, most accurate information about financial debt level can be observed in Net Debt (+1.45 million EUR), thanks to follow indicators.

Main indicators		2019	2018	2017
1.	Net debt ratio = Net Debt/Shareholders Fund	0.83	0.95	1.26
2.	Net Debt/EBITDA	1.55	1.33	2.01

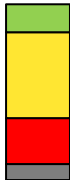

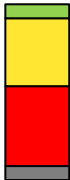
The **net debt ratio** confirms the appreciable level of Company's capitalization (critical level is around the value of 3).

The **Net debt/EBITDA** ratio is in constant reduction from 2017 to last fiscal year, stable on an appreciable level, that confirms a good economic margin compared to financial debt ratio.

The management of Company's liquidity shows an adequate current ratio (1,25), stable compared to the previous year. The difference between current assets (2.74 million EUR) and current liabilities (2.19 million EUR) is equal to +556 million EUR, 34.95% higher than 2018 and symptomatic of a correct management of liquidity. Commercial credits are equal 76.88% of current assets and this is a potential warning of difficult collection operations. At the same time, the main activity of Company (NACE Code 62.01 - Computer programming activities) leads to zero stocks and quick ratio equal to current ratio. The cash cycle quality confirms slow collection operations with 166 days, twice the figure recorded by competitors median value. The payment operations are also slow (54 days), but smaller than sector's median value.

The Company's profitability records weak levels of ROI (3.71%) and ROE (3.34%), both in strong reduction compared to the previous year. During the last year, operating sales (3.67 million EUR; +22%) rose more than operating costs (3.70 million EUR; +22%), but lower "other revenues" (975 thousand EUR; -22.09%) led to a reduction of EBITDA, from 1.2 million EUR to 938 thousand EUR. At the same time, Company's depreciation costs increased (738 thousand EUR; +3.5%), while financial loss decreased (-113 thousand EUR). This dynamic had a negative influence on profit of the year, equal to 58 thousand EUR and 75% lower than the previous year.

Company Financial Analysis

	30/06/2019	30/06/2018	30/06/2017
Turnover (th €)	4.644	4.241	3.467
Score (%)	46,31 ●	41,49 ●	50,15 ●
Confidence Level (%)	100	100	100
Solvency ratios			
Leverage ratio	1,79 ●	1,57 ●	2,28 ●
Financial leverage	0,95 ●	0,97 ●	1,27 ●
Total assets / Total liabilities	1,56 ●	1,64 ●	1,44 ●
Liquidity ratios			
Current ratio	1,25 ●	1,22 ●	1,11 ●
Quick ratio	1,25 ●	1,22 ●	1,11 ●
Cash cycle ratio	96,00 ●	82,00 ●	145,00 ●
Profitability ratios			
Return on investment ROI (%)	3,71 ●	9,45 ●	1,94 ●
Return on equity ROE (%)	3,34 ●	13,86 ●	2,22 ●
Asset turnover	0,76 ●	0,69 ●	0,60 ●
EBITDA / Sales	0,26 ●	0,40 ●	0,32 ●
Interest coverage ratios			
EBIT Interest coverage ratio	2,17 ●	3,46 ●	1,01 ●
EBITDA Interest coverage ratio	10,18 ●	8,49 ●	9,97 ●
Analysis and Trend of financial strength			

Company's three-year Balance Sheets and Income Statements are as follows:

Balance sheet (th €)

	30/06/2019	30/06/2018	30/06/2017
Accounting practice	Local GAAP	Local GAAP	Local GAAP
cambio EUR-EUR	1	1	1
Number of months	12	12	12
Totale Assets	4,838	4,318	4,026
Fixed assets	2,091	1,991	1,572
Intangible fixed assets	1,657	1,590	1,310
Tangible fixed assets	56	65	51
Other fixed assets	377	337	210
Current assets	2,747	2,326	2,455
Stocks	0	0	0
Debtors	2,112	1,769	2,097
Other current assets	636	558	358
Cash & cash equivalent	191	21	8
Shareholder funds	1,735	1,677	1,229
Capital	388	388	388
Other shareholder funds	1,348	1,290	842
Total liabilities	3,103	2,641	2,797
Non-current liabilities	912	726	576
Long term debt	557	454	336
Other non-current liabilities	355	272	240
Current liabilities	2,191	1,914	2,221
Loans	1,089	1,171	1,224
Creditors	689	448	703
Other current liabilities	413	296	293
Total Shareh. & liabilities	4,838	4,318	4,026

Net debt (th €)

	30/06/2019	30/06/2018	30/06/2017
Loans	1,089	1,171	1,224
Long term debt	557	454	336
Cash & cash equivalent	191	21	8
Net debt	1,454	1,605	1,553

Income statement (th €)

	30/06/2019	30/06/2018	30/06/2017
Accounting practice	Local GAAP	Local GAAP	Local GAAP
Exchange rate EUR-EUR	1	1	1
Number of months	12	12	12
Sales	3,669	2,999	2,430
Revenues growth (%)	+22	+23	-
Other revenues +/- variation in inventories and contract in progress + fixed assets own construction	975	1,242	1,036
Operating revenues / turnover	4,644	4,241	3,467
Total costs	3,706	3,037	2,697
Costs growth (%)	+22	+12	-
Service costs	1,746	1,331	1,262
Material costs	7	3	10
Costs of employees	1,953	1,703	1,425
EBITDA	938	1,204	770
Depreciation and amortization	738	713	692
EBIT	200	491	78
Financial P/L	-113	-225	-77
Financial revenues	0	0	0
Financial expenses	113	225	77
Interest paid	92	142	77
P/L before tax	87	266	1
Extr. & other P/L	0	0	0
Extr. & other revenues	0	0	0
Extr. & other expenses	0	0	0
P/L before tax + extr. & other P/L	87	266	1
Taxation	29	34	-26
Profit/Loss for period	58	232	27

1.4 Cash flow analysis

Company increased its cash and cash equivalent from 20.63 thousand EUR to 191.35 thousand EUR in the last fiscal year. The increase of cash is linked with growth in operating cash flow (+1,007.13 thousand EUR) and in financing cash flow (+20.47 thousand EUR). At the same time, the Company shows a negative investing cash flow (-856.88 thousand EUR), linked with the high investments in tangible and intangible fixed assets.

Cash flow analysis

	31/12/2016	31/12/2015
Initial cash	20,629	7,846
Free cash flow	179,592	407,933
Self-financing	748,655	686,468
Resources freed/(absorbed) by working capital	78,885	(162,629)
A-Operating cash flow	1,007,132	931,722
B-Investing cash flow	(856,881)	(1,198,855)
C-Financing cash flow	20,471	279,866
Change in cash (A+B+C)	170,722	12,783
Ending cash	191,351	20,629

The production of positive cash flows by the Company is very appreciable, because it has a strong connection with a good performance in operating activity, which presents an adequate part composed by resourced freed by working capital. The cash flow produced by operating activity is sufficient to finance investments in fixed assets and potentially useful to cover loans and other financial debts.

1.5 Central Credit Register

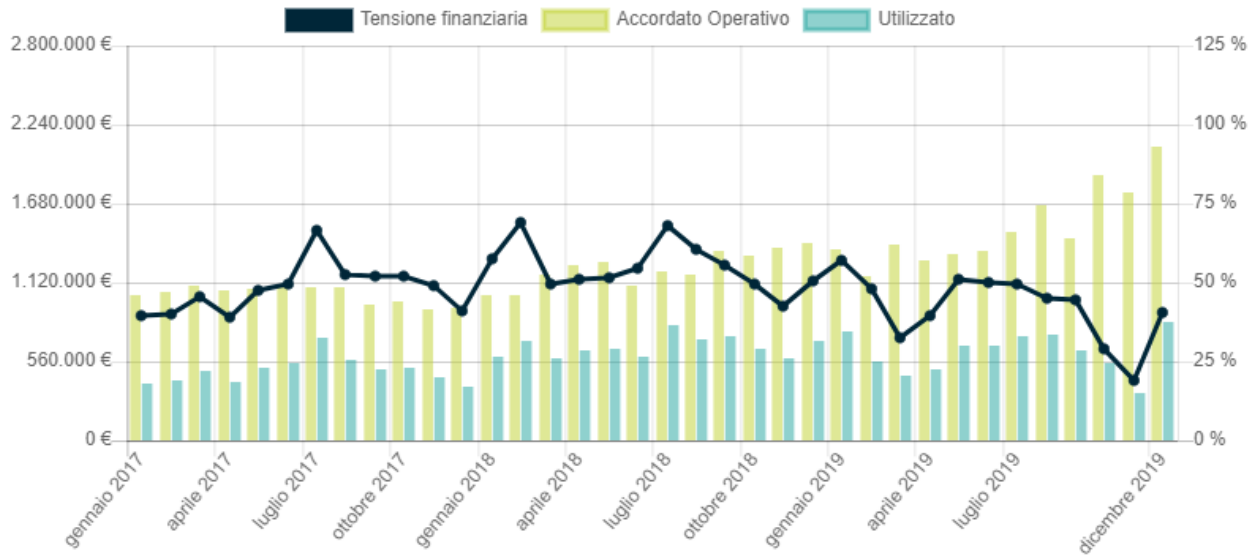
In this chapter, we will analyze the report of the central credit register developed by the Bank of Italy. This document allows you to analyze the history of the commitments of the company and its financial management with the banking institutions (all the positions that concern more than 30 th EUR), with a depth of 36 months. The banks and the other financial institutions can consult the up to last 3 years of information of the company in Central Credit. It can be required by the financial institution, banks or the company itself.

The following table shows principal signals in reference period (January 2017 – December 2019) with the scope to explain the trend of principal financial risks:

Reference period	December 2019 January 2019	– December 2018 – January 2018	December 2017 – January 2017	Assessment
Average of financial institutions	10	9	6	
Protests	NO	NO	NO	Positive
Analysis of risks utilized				
Financial stress in self-liquidating risks	NO	NO	NO	Positive
Financial stress in risks at maturity	NO	NO	NO	Positive
Financial stress in overdraft facility risks	NO	NO	YES	Positive
Overruns and minor warnings				
Self-liquidating risks	0	0	4	Positive
Risks at maturity	0	0	0	Positive
Overdraft facility risks	1	0	1	Positive
Important warnings				
Overruns > 90 days and < 180 days	NO	NO	NO	Positive
Overruns > 180 days	NO	NO	NO	Positive
Guarantees activated with negative outcome	NO	NO	NO	Positive
Loans losses	NO	NO	NO	Positive
Non-performing loans	NO	NO	NO	Positive

1.5.1 Trend of the self-liquidating risks

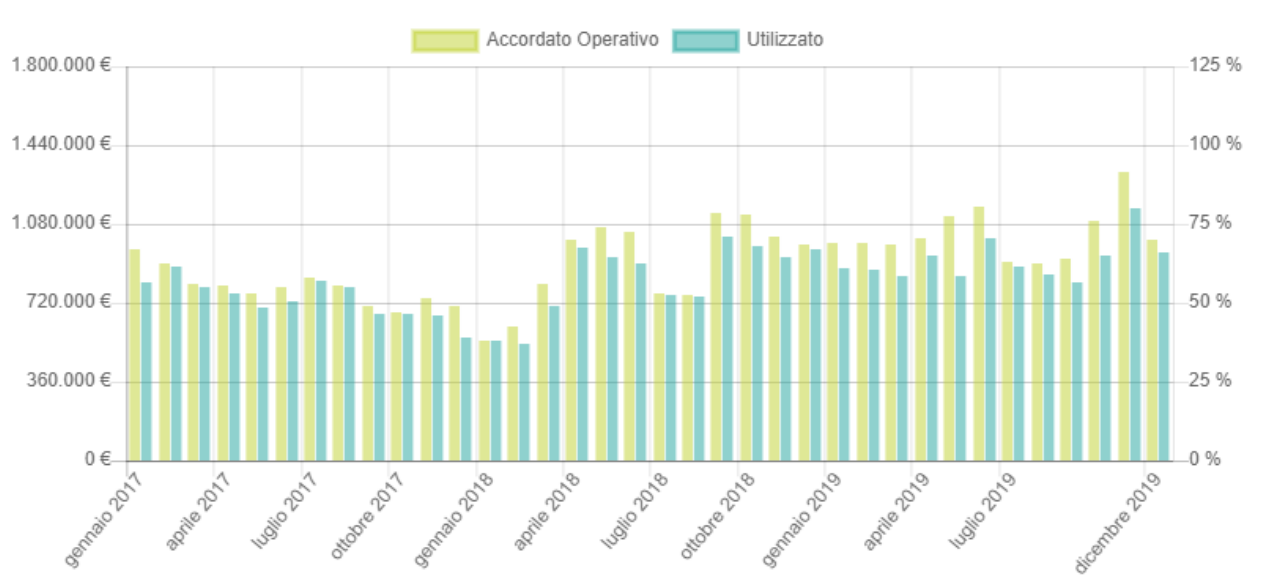
The graph below indicates the **self-liquidating risks**: advance of invoices, advances for factoring operations, etc. When the bank advances resources for trade operations. In the figure, we will find the agreed by the bank (green), and the utilized by the company (grey). The black line reports the financial stress of the company and it is the ratio between the utilized divided by the agreed.



Company shows an appreciable management of self-liquidating risks, with low and decreasing financial stress ratio. Company's volume of liquidity is good.

1.5.2 Trend of risk at maturity

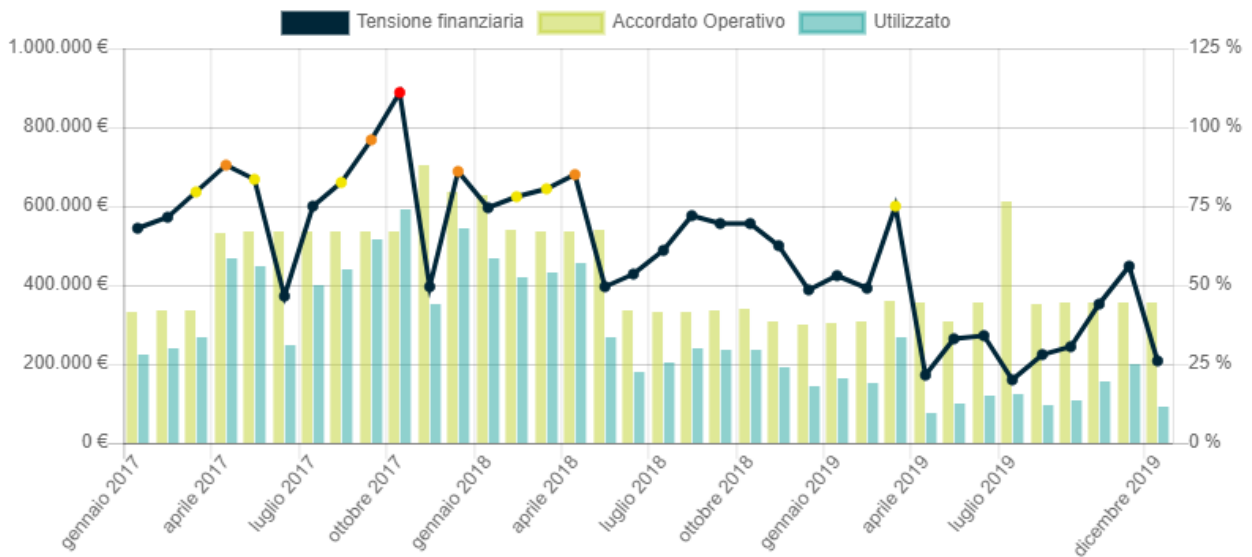
The graph in the following page shows the **risks at maturity** (i.e. loans, mortgages, leasing). The green line represents the operating agreed by the bank and the grey line shows the utilized by the company. The analysis enables the reader to comprehend immediately if the company has financial stress.



Company's risk at maturity show correct management and payments on times. Company's exposure increased in the reference period, together with the level of investments in fixed asset.

1.5.3 Trend of overdraft facility risk

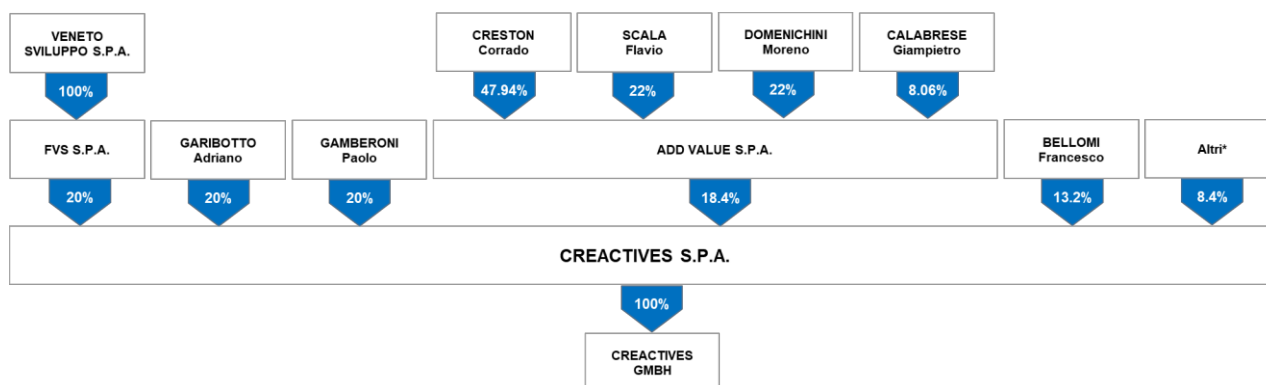
The graph shows the **overdraft facility risks** that are related to credit facilities granted by the banks to enhance cash availability. On the x axis we can find the operating agreed by the bank (green) and the utilized (grey). The black line reports the financial stress of the company and it is the ratio between the utilized divided by the agreed. The analysis enables the reader to understand if the company can be considered in status of liquidity stress in the short term.



Also in this risk analysis, we don't have to report any problem, with a decreasing financial stress ratio.

2 Company and the group

2.1 Group Structure



*the other shareholders (with ownership's share < 10%) are the same CREACTIVES S.P.A. (self-owned) and Mr. CRIVELLINI Stefano Luzi.

CREACTIVES S.P.A. is controlled by many shareholders, that are both physical people and other companies. At the same time, the Company controls the German company CREACTIVES GMBH.

The following table provides an overview of the financial and economic health of companies that are linked with CREACTIVES S.P.A. (data in thousands of EUR).

Company name and VAT number	MORE Class*	Last available year	Operating turnover	Profit/loss of the period	Total assets	Shareholder's funds
ADD VALUE S.P.A. (02905630238)	8	2019	8.415	407	5.724	1.678
FVS S.G.R. S.P.A. (01112230329)	n.d.	2018	1.032	150	2.653	n.a.
CREACTIVES GMBH (DE7110392996)	4	2018	576	13	519	19

*MORE Score's class goes from the worst score of 1 to the best score of 10.

2.2. Entity's Size

The objective of such analysis is to detect the company's performance ranking, within the defined peer of comparable, for three different analysis profiles:

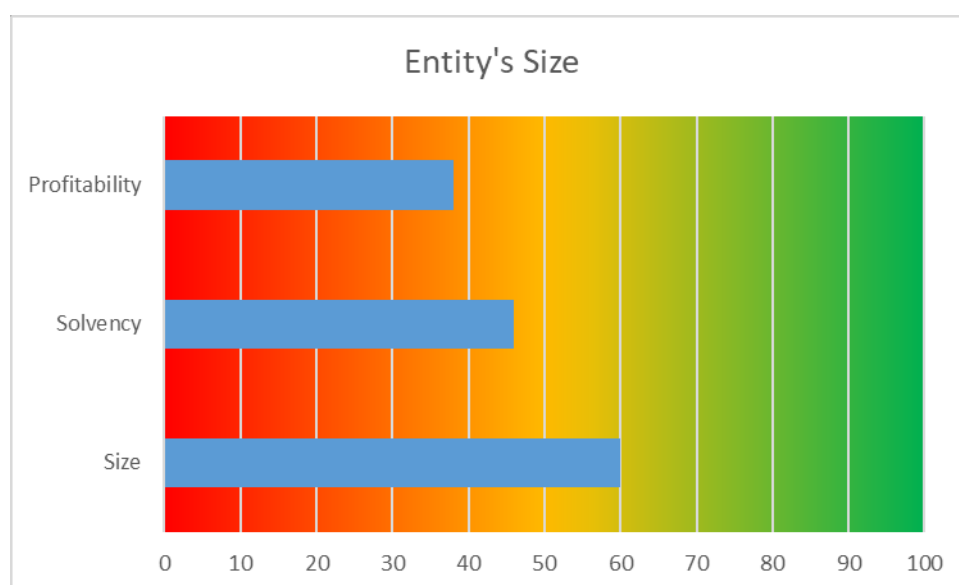
- Dimensions;
- Solvency;
- Profitability.

The ranking of the company with respect to such peer group, is expressed through its position, in terms of percentile, within the distribution of the comparable companies. 100% is the best score, 0% the worse.

We have analyzed the company within a peer group defined according to the following parameters:

Parameter	Description
NACE code	62.01 - Computer programming activities
Regions	European Union (28 countries), China, United Arab Emirates
Turnover	> 2 million EUR and < 10 million EUR
Number of companies	4.502*

* The companies with 2018 financial accounts are 4.502, the analysis was based on this sample of data. The peer group would include 5.793 companies.



Regarding the **size**, the ranking of CREATIVES S.P.A. compared to its peer group is appreciable, over the median value (60/100). During the last fiscal year, the Company's operating turnover was increased from 4.24 million EUR to 4.64 million EUR.

The situation in terms of **solvency** is sufficient, with the Company's ranking near to median value (46/100). The Company confirms its good capitalization level consistent with average peer group's performance.

The Company's ranking of **profitability** is weak (38/100) and far from the median value of reference sector. ROE was in strong reduction comparing to previous year, especially due to the contraction of "other revenues" (975 thousand EUR; -21,49%) and due to the growth of depreciation (738 thousand EUR; +3,5%).

2.3 Competitor analysis

CREACTIVES S.P.A. identifies its competitors in different ways, i.e. in terms of "approach" and in terms of "products".

In terms of "**approach**", it's possible to distinguish the competitors in relation to:

- AI platforms: they are generic tools and clients must develop the application from scratch. IBM WATSON and SAP LEONARDO are two of principal competitors.
- Procurement platforms: in this case, the Company has not competitors, but potential partners, providing high quality data classification/data cleansing services. The technology adopted is weak (based on the supplier's main activity) despite marketing claims it as semantic, cognitive or AI-based. Here, ARIBA, JAGGAER and IVALUA are some examples of "competitors".
- Master Data Management Multi Domain platforms: the focus is on customers and suppliers. About materials, they use simple technologies and do by hands in delivery factories (typically India). SAP MDG, INFORMATICA and TIBCO are three of principal competitors.
- Material MDM niche provider: in this case, SEMARCHY, TAMR, PiLOG, SPHERA and VERDANTIS ARE examples of principal competitors.

In terms of "**product**", the Company is able to identify its competitors in these different groups:

- TSV;
- Matcher;
- TAM;
- MG Prompt.

In the following table, the key financial data (values are in thousand EUR) of some most important companies are reported:

N°	Company	MORE Class*	Last available year	Operating revenues	Profit/loss of period	Total assets	Shareholder's fund
1	SAP SE	7	2018	24.708.000	4.083.000	51.491.000	28.878.000
2	INFORMATICA CORP.	9	2014	863.153	93.968	1.506.948	1.061.651
3	TIBCO SOFTWARE INC	7	2013	786.959	61.798	1.475.517	700.366
4	SAP ARIBA	7	2011	328.701	24.629	676.250	479.859
5	IVALUA	5	2018	62.959	870	65.220	31.051
6	CREACTIVES S.P.A.	6	2019	4.644	58	4.838	1.735
7	SPHERA GROUP S.R.L.	7	2017	448	25	704	190
8	JAGGAER DEUTSCHLAND GMBH	6	2018	n.d.	n.d.	526	204

* The scale of Scoring ranges from 1 to 10, being 10 the strongest class and 1 the weakest.

The Company is smaller than the other companies in terms of turnover, but it performs well in terms of MORE Score.

2.4 Longevity and legal status

Parameters	Description
Incorporation year	2000
Legal form	Joint stock company
Status	Active
Reference market	European Union (28 countries), China and United Arab Emirates
Company black records	Not found
Shareholders black records	Not found
Board black records	Not found

CREACTIVES S.P.A. was founded in 2000 and it started as cost reduction consulting company, with mainly manufacturing and discrete manufacturing companies, utilities, oil and gas/mining companies and logistics companies as main clients.

The Company originates a relevant part of its operating turnover in European Union, in China and in United Arab Emirates. Actually, the Company has commercial negotiation in progress with important clients like Brazil, Denmark, Egypt, Japan, Netherland, Mexico, Peru, United Kingdom and United States.

No black records have been found on Company, on its shareholders and on board's members.

2.5 Governance and Group Analysis

2.5.1 Board of Directors

Name	Position	Black records
GAMBERONI Paolo	Chairman of Board of directors	None
GARIBOTTO Adriano	Director	None
CRESTON Corrado	Director	None

CREACTIVES S.P.A. has a Board of Directors as "management body", in which there are two direct shareholders, Mr. GAMBERONI Paolo and Mr. GARIBOTTO Adriano, and the main shareholder of the parent company ADD VALUE S.P.A., Mr. CRESTON Corrado.

2.5.2 Supervisory Board

Name	Position
ZENTILIN Franco	Chairman of Supervisory board
FAVARO Gianfranco	Statutory auditor
BALDI Chiara	Statutory auditor
VENTURUZZO Riccardo	Deputy statutory auditor
FRAGIACOMO Andrea	Deputy statutory auditor

3 Industry and the country

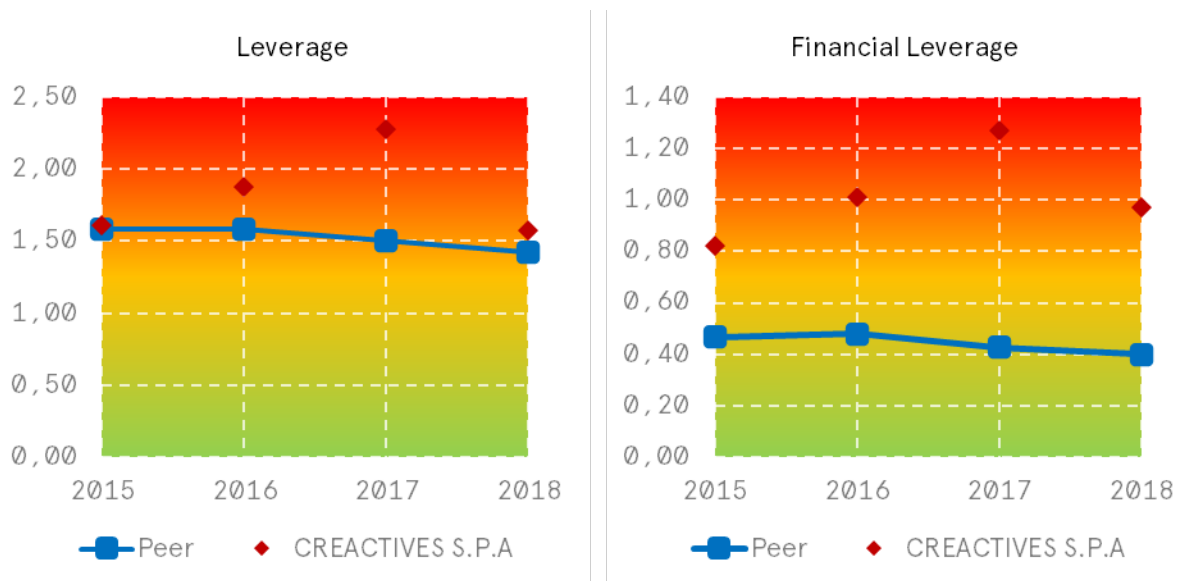
3.1 Trend of industry's creditworthiness

Below is a comparison of the performance of CREATIVES S.P.A. with respect to the major competitors operating in the same sector, performing an analysis of the past 4 years.

The peer group is therefore defined using the same criteria used in the paragraph on the size of the company with the same ATECO code (section 2.2).

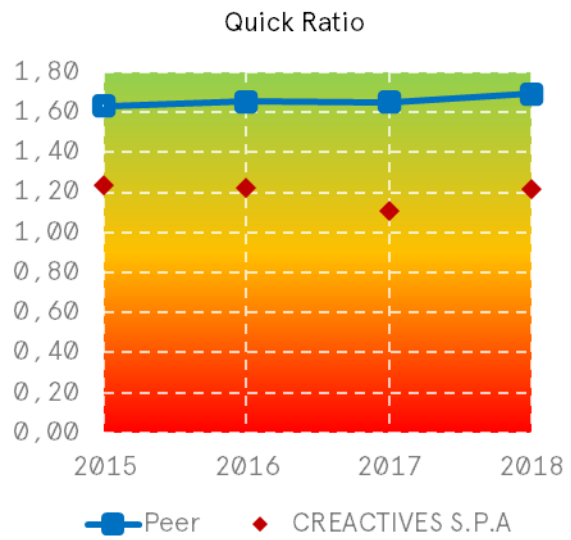
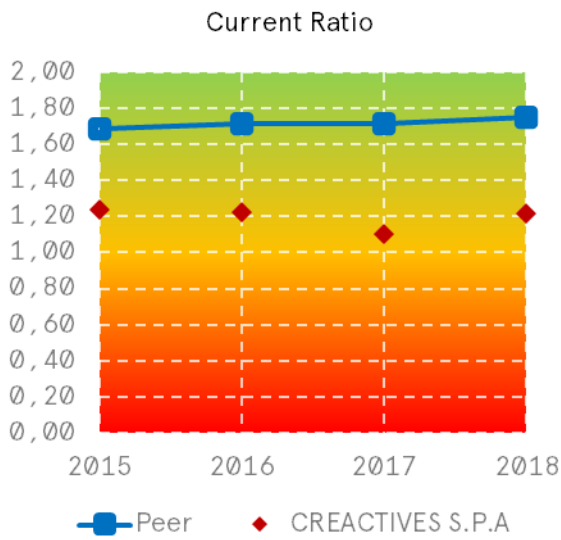
The analysis is based on the comparison of the evolution of the median values of some most relevant financial indicators for the peer group versus the rated company ('Annexes').

3.1.1 Solvency



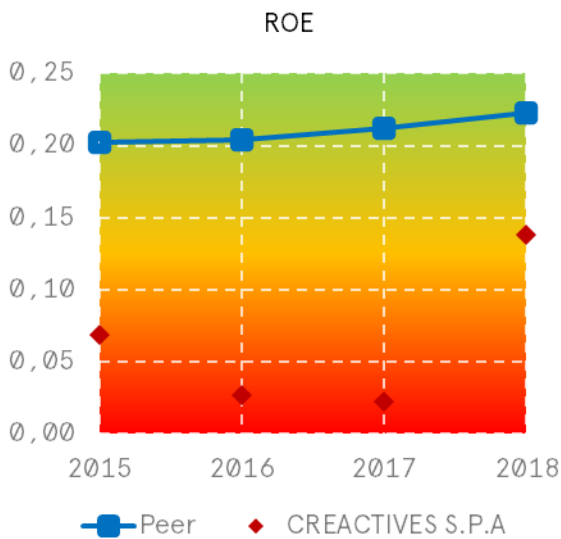
The sector's leverage shows a soft reduction since 2015, constants in all considered period on good level. In 2018, this indicator was near Company's level. The financial leverage of the peer group has a similar trend and it is smaller than the one recorded by the Company.

3.1.2 Liquidity



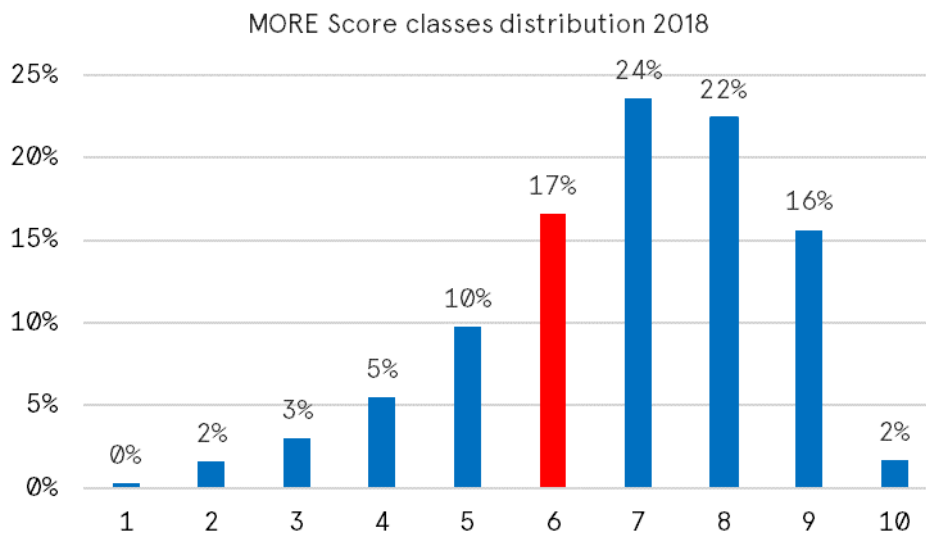
Considering the liquidity, we can see how the sector's current ratio is higher than Company's value: both are on adequate level and constant on all considered period.

3.1.3 Profitability



The sector's ROE is constantly growing throughout the period considered, on a higher level than Company's one.

3.1.4 General Assessment of The Industry



The above figure shows the distribution of the MORE score of the companies in the reference sector, where the scale ranges from 1 to 10, which is the best score.

As we can see from the figure, the Company is positioned in a medium band. In fact, CREATIVES S.P.A. falls into class 6, together with 17% of the companies in the same sector / country and better than 20% of the competitors.

3.2 Impact of relevant news on the industry

No relevant information was found on the reference sector that could have an impact on the present report.

3.3 Influence of macroeconomic conditions on the company

CREACTIVES S.P.A. generates a large part of its operating revenue on the national market, although another important part is achieved on the other CEE's country and in China and UAE' markets. For this reason, it's important to examine the macroeconomic situation of the two reference areas.

ITALY

Indicators	Italy 2019	Italy 2018	Italy 2017
GDP (billion EUR)	1.775	1.812	1.626
GDP growth	+0%	+0.9%	+1.7%
GDP per capita (EUR)	29.362	29.893	26.845
Inflation	0.7%	1,2%	1.3%
Unemployment rate	10,3%	10,6%	11,3%
Public debt	133,2%	132,2%	131,4%

The Italian economy shows a growth rate of zero percent; rate that is expected to remain unchanged also for the current year. Exports, private consumption and investments have driven growth in recent years, but there has nevertheless been a slowdown in the recovery. Indeed, Italy continues to suffer from economic and social problems such as the high unemployment rate and the strong regional disparities. Economic policy's choices may have a significant impact on economic performance: if there is an effective rise in indirect taxes, GDP will remain stable also in 2020. If instead this increase is canceled and financed by balance of payments, an increase of GDP is expected, but a simultaneous increase in the deficit/GDP ratio close to 3%, which could feed back on growth. The Italian economy risks falling into recession in the event of any new negative shocks.

Favorable to the recovery of the Italian economy, however, play two aspects: the drop in yields on government bonds and the good ability of Italian companies to adapt to international scenarios.

In conclusion, Italy can be said to be in the balance between recovery and recession, and much will depend on the economic policy choices implemented by the Government during the year.

EUROPEAN UNION (28 COUNTRIES)

Indicators	EU 2019	EU 2018	EU 2017
GDP (billion EUR)	16.293	16.355	14.459
GDP growth	+1,5%	+2,2%	+2,8%
GDP per capita (EUR)	31.864	32.045	28.378
Inflation	1,6%	1,7%	1,7%
Unemployment rate	n.d.	n.d.	n.d.
Public debt	80,4%	81,9%	83,6%

The European economy shows growth, although slowing down compared 2017 and 2018. It has been growing for the seventh consecutive year, but the economic situation is now less favorable and influenced by an increase on the climate of uncertainty. This could lead to a more contained period of growth and reduced inflation, which is close to the ECB's target (close, but not more than 2%). This situation is attributable to the difficulties encountered in the main European economies, which however is accompanied by a continuous expansion of the easternmost countries of European Union, in full economic recovery compared to other countries.

CHINA AND UAE

Indicators	China UAE 2019	China UAE 2018	China UAE 2017
GDP (billion EUR)	14,140.16 405.771	13,368.07 414.179	12,062.29 377.701
GDP growth	+6.1% +1.6%	+6.6% +1.7%	+6.8% +0.5%
GDP per capita (EUR)	10,098.87 37,749.88	9,580.24 39,709.01	8,677.40 37,251.94
Inflation	2.2% -1.5%	1.9% 3.1%	1.8% 2.0%
Unemployment rate	3.8% n.d.	3.8% n.d.	3.9% n.d.
Public debt	55.6% 20.1%	50.6% 19.1%	46.8% 20.0%

China's new decade started with strong growth and GDP per capita will likely double by 2020 relative to 2010, thus making a large contribution to the expansion of the world economy. According to long-term growth scenarios, until around 2030, China would contribute more to world growth than OECD countries. In that years, China's share of world output would peak at 27%. In the recent couple of years, a greater focus has been put on the quality of growth rather than its pace, with early signs of success. Efforts have been made to stimulate domestic consumption and to avoid the worsening of macroeconomic imbalances. In the recent period, downward pressure on the economy has increased, partly as result of escalating trade tensions, prompting the government to swiftly introduced stimulus measures to support growth.

After a subdued economic performance in recent years, partly due to cuts in oil output as part of OPEC agreements, continued corporate restructuring, reduced government investment and declining real estate priced, economic activity is expected to pick up in the United Arab Emirates in 2020. The country recorded a relatively modest growth of 1.6% om 2019 amid a slowing global economy, trade and geopolitical tension and weaker energy demand, but should accelerate to 2.5% this year and 2.7% in 2021 driven by rising business optimism, fiscal stimulus and higher government and private sector investments related to Dubai's Expo 2020. The Emirate's government has introduced a policy of fiscal easing to enable economic recovery. Structural reforms stepped up, along with the announcement of a new plan for a fiscal stimulus over the next years and increased public investment ahead of World Expo 2020. The 2019 budget has been the largest in the country history, with 17.3% increase compared to the previous years. Total public debt is low, estimated at 20.1% in 2019 with a stable outlook for 2020 and 2010 (20.3%). UAE's Central Bank and sovereign wealth funds own important foreign assets, providing the country with a large liquidity cushion (Abu Dhabi holds world's fourth largest sovereign wealth fund) and making it a net creditor at global level. The UAE has one of the highest per capita income levels in the world and highly developed welfare system.

The Company's choice to operate in other countries is appreciable with a view to mitigating country risk.

3.4 Influence of political risk on the company

CREACTIVES S.P.A. is not influenced by a relevant political risk different by macroeconomic risk.

3.5 Impact of relevant risk on country

"CORONAVIRUS" ECONOMIC EFFECTS

Over the past weeks, a new "Coronavirus" has spread in Italy, that is, a strain of coronavirus that has not yet been identified in humans and that was first reported in Wuhan, China, in December 2019. The disease caused by this coronavirus took the name of "COVID-19" and began to affect some parts of the country, including Lombardy and Veneto.

The situation described can have important economic repercussion on the operating turnover of the main companies, which are the Company's main customers.

4 Press news

No press news that could influence the opinion expressed was found.

5 Regulatory and legal disclosure

5.1 Sources of information

All information used in the present report is explained in the following table:

Sources	Summary
CREACTIVES S.P.A.	Financial statements provided with all documents up to June 2019, 2018, 2017; Financial statements of CREATIVES GMBH provided with all documents up to June 2019, December 2018, 2017, 2016; Report from the central credit register related to last 36 months; Certificate of incorporation; Statute; Other relevant documents.
Chamber of Commerce – Register of Companies – public	Company's Historical records: records, activities, members, administrators, statutes and other information.
Company website	General information about the company.
Orbis – Bureau van Dijk	Economic data for Company, parent companies, subsidiaries, peer group and competitors.
International Monetary Fund	Macroeconomic data for Italy, European Union, China and UAE.

5.2 Disclaimer

The present Corporate Credit rating is solicited, and it is not a credit rating issued according to the new EU Regulation 1060/2009, because it is a Private Rating according to art 2(2)(a).

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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.

6 Rating Scale



modefinance refers to default as a company for which missed payments on a financial obligation are officially recorded, or under administration, or under liquidation status or under bankruptcy

7 modefinance MORE 2.0 Methodology

A credit rating is an opinion of the general creditworthiness of an obligor (issuer rating), or the creditworthiness of an obligor in respect of a specific debt security, or other financial obligation (issue rating), based on relevant risk factors.

The Multi Objective Rating Evaluation (MORE) model is essentially used to assess the level of distress of industrial companies by using data included in financial statements.

The basic idea of the model is to analyze a set of financial and economic ratios in a predictive corporate bankruptcy model with the purpose of creating a fundamental credit rating model for each industrial sector. Results of the model are obtained by applying newly developed numerical methodologies, drawing together financial theory, data mining and engineering design methodologies. The heart of MORE is a multi-dimensional and multi objective algorithm that produces a classification of each company, by taking into account any attributes (such as sector and country) characterizing a firm, the model gives the opportunity to assign a rating to a company even without considering a complete data analysis and allows to process quality information. It induces a better understanding of a company's strength and weakness thanks to sophisticated data mining tools and considering the analyst knowledge. The MORE rating vision is to look at the fundamental economics of the company. The main idea is to evaluate the rating observing every aspect of the economic and financial behavior of the company: better is the equilibrium between the different aspects, better will be the final rating. This is done studying, evaluating and aggregating the most important sections of the financial and economic behavior of a company such as: profitability, liquidity, solvency, interest coverage and efficiency.

The MORE model can produce a MORE rating even if is missing data by using an associated confidence level:

$$\text{Confidence} = \frac{\sum \text{available information}}{\sum \text{total information}}$$

The level of confidence does not indicate financial soundness in the company. It is a reflection of the variations in availability of worldwide financial data due to filing regulations and suggests the degree of financial detail the MORE rating is able to take into account for each company.



8 modefinance RATING 1.0 Methodology

For further information on our Rating Methodology please refer to the following link:
<https://cra.modefinance.com/en/methodologies/companies>

9 Annex

9.1 Economic-financial indicators

In the sectorial and dimensional analysis, the indicators considered are as follows:

Area	Indicatori	Descrizione
Solvency	Leverage	Debt/Equity ratio: measures the level of total liabilities of the company in comparison with equity
	Financial Leverage	Financial Debt/Equity ratio: measures the level of sole total financial liabilities
Liquidity	Current ratio	Current asset/Current liabilities: measures whether a company has sufficient short-term assets to cover its short-term liabilities
	Quick ratio	(Current Asset-Inventories)/Current liabilities: compares current liabilities only to those assets that can be readily turned into cash
Profitability	ROCE	Return on Capital Employed: measures the profitability of company investments without regard to the way the investment is financed
	ROE	Return on Equity: measures the profitability of the equity
Creditworthiness	MORE Score	The Multi Objective Rating Evaluation (MORE) model is essentially used to assess the level of distress of industrial companies by using data included in financial statements

The credit rating Agency for your risk management

modefinance independently develops procedures, criteria and models that constitute the foundations of its credit rating activity. Corporate ratings issued by modeFinance are the result of two methodologies: the first, purely quantitative, is MORE Methodology, widely tested on millions of companies worldwide during a continuous scoring activity; the second methodology, RATING Methodology, implies the intervention of modefinance team of rating analysts, who are responsible for the activity of issuance, monitoring and publication of credit ratings.

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