

## RATING COMMUNICATION

Cerved Rating Agency S.p.A. downgrades

**Better Silver** public rating

to **B1.2**

Bressanvido (VI) – Via Dell'Artigianato, 25

Cerved Rating Agency on 04 July 2020 has downgraded Better Silver rating from A3.1 to B1.2

Date of first issuance of the rating: 04 August 2018

*Better Silver S.p.A. (below Better Silver, the Company) was founded in 1977 becoming an international leader in the production and sale of silver jewellery. The company primarily refers to Bettinardi Group (98%) whereas the remaining 2% belongs to the founder Romano Bettinardi.*

### **Key rating factors**

Rating downgrade results from the assessment of impacts deriving from Covid-19 pandemic expansions on the Company business. Despite FY 2019 positive results it is expected for FY 2020 a drop in revenues (approximately 30% YoY) with negative effects on margins. It is however foreseen a recovery in profit margins in FY 2021 arising from the new strategy implemented by Management against the adverse market conditions, as well as the strengthening of the relationships with the existing customer base, aiming at reinforcing the competitive positioning and maintaining a sustainable financial structure. The Agency considers the undertaken actions consistent with a solvency condition.

**FY 2019 results in line with expectations** – Better Silver ended FY 2019 with a Value of Production (VoP) equal to € 48.2 mln (+1.4% YoY), in line with expectations; however EBITDA margin adj amounted to 11.7%, reducing from that recorded in the FY 2018 (-1.2 p.p.), as a combined effect of (i) a partial change in customer mix and (ii) a lower sale of customized products with high added value.

**Covid-19 impact on FY 2020 economic results** – In the 1H 2020 the Company's activity has been significantly affected by the impact resulting from the health emergency (Covid-19) on a worldwide scale. Containment measures introduced starting from March involved Better Silver either directly, due to the closure of production facilities in the period March-April 2020, and through the slowdown in demand from the major customers. The lockdown phase determined a postponement of the orders scheduled for the period March-May, determining a reduction in revenues of about 32% in the 1H 2020 compared to 1H 2019. In the context of a partial recovery expected in the 2H 2020 the Company estimates to close the current year with € 33.3 mln of revenues and a reduction in profitability at 8.8% (-3 p.p. YoY), which will partly benefit from the adopted recovery actions to absorb fixed costs. Management does not exclude a resumption in the FY 2021 considering: (i) the projects being defined with the main customers and (ii) the implementation of a new strategy.

**Sustainable financial structure even considering the higher financial effort in the FY 2020** – Better Silver Net Debt at 31/12/2019 amounted at € 19.1 mln, reducing compared to € 19.4 mln recorded at 31/12/2018, with Net Debt/EBITDA adj and Net Debt/Equity ratios respectively at 3.4x and 1.0x. Such trend partly benefits from the good results achieved which absorbed the higher working capital requirements, determining a positive Net Operating Cash Flow of about € 2 mln. Forecasts for FY 2020 expects a reduction in Net Debt at € 18.5 mln, which include the new long-term financing

agreement of € 5 mln obtained with the purpose of soften the negative impacts on cash, arising from the actual contingent scenario due to the widening of collection times. However considering a reduction in margins and a deterioration on working capital requirements, the Agency believe that Better Silver leverage sustainability, although reducing, can be preserved in the FY 2020, therefore expecting a Net Debt/EBITDA adj ratio not greater than 6.0x and a Net Debt/Equity ratio stable to 1.0x, also taking into account the potential liquidity buffer represented by the silver overstocked which may even be sold benefitting from the favourable market opportunities.

### **Rating sensitivities**

- In the short term, unless significant changes in margins, it is assumed to maintain the current rating class
- Better Silver rating may be subject to downgrades in case of: (i) further contractions in business and margins with negative implications on cash flows; (ii) worsening in financial structure (Net Debt/EBITDA adj > 6.5x)

The applied methodology is published on Cerved Rating Agency's website: [www.ratingagency.cerved.com](http://www.ratingagency.cerved.com)

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*Cerved Rating Agency has assigned the rating in compliance with Regulation CE1060/2009 and following modifications and integrations; it is an opinion on the creditworthiness of the rated entity and it summarizes the reliability or the insolvency probability of the entity.*

*The rating issued by Cerved Rating Agency is not an investment advice, nor a form of financial consultancy; it is not a recommendation for the purchase or sale of shares or for holding particular investments, nor gives it any advice to a particular investor to make a particular investment.*

*The issued rating is subject to an on-going monitoring until its withdrawal. The rating has been solicited by the rated entity, or a related third party, which has participated to the process providing the analytical team with the requested information. The information used for the analysis includes available public information and proprietary information obtained from sources deemed reliable by Cerved Rating Agency. As per applicable Regulation the rating was disclosed to the rated entity before being issued to review factual errors.*