PRESS RELEASE

CERVED MONITOR OF 2014 ACCOUNTS: ITALIAN COMPANIES INCREASED THEIR PRODUCTIVITY AND PROFITABILITY, MARKING A SLOW RECOVERY IN A STILL WEAK ECONOMIC ENVIRONMENT FEWER COMPANIES REPORTED A NET LOSS

BUSINESSES ARE MOVING TO MORE SUSTAINABLE DEBT LEVELS COMPARING TO 2007

Milan, July 20th 2015 – According to the analysis conducted by Cerved on 133,000 annual financial statements submitted by June 2015, the Italian companies succeeded in increasing their profitability and financial sustainability numbers during 2014. Although businesses' sales were still very weak (overall total revenue grew by only 1% with respect to 2013), the businesses succeeded in reacting to this environment by curbing external costs and increasing productivity and gross profitability.

Overall, a smaller number of companies reported net loss in their accounts in 2014: 25 companies out of 100 were in the red, down from 27.7% recorded in the year before. During 2014, businesses came back to record an upturn in operating and net profit indicators, although the gap to pre-crisis levels remains significant: ratio of net income on equity (ROE) reached 6.5%, up from 2013 (5.7%) but well below the 10.4% seen in 2007.

Although they are less profitable than the pre-crisis period, businesses show more sustainability in their debt. The shrink of financial debts went on (a further -4.5% with respect to 2013 levels), pushing the entrepreneurs to lean more on their own capital to finance their companies: equity went up by 4.2% overall from 2013 to 2014, to a substantial +51.3% above the pre-crisis amount

"*Although the economic environment remains fragile, with a very modest rise in revenues, our analysis shows an improvement in profitability and a decline in the debt level of Italian businesses. This is particularly evident in the industry, which have benefited from export recovery, and services sectors* - **said Gianandrea De Bernardis, Chief Executive Officer of Cerved** - *We expect the consolidation of financial health will be strengthened in 2015.*"

AN OVERALL RECOVERY OF PRODUCTIVITY, BUT NOT FOR ALL SECTORS

Even though consumer demand remained sluggish, Italian companies were able to increase their gross and net profit margins by reducing internal and external costs. SMEs recorded a biggest increase in revenues (+1.5%) with respect to micro (0.6%) and to large (0.7%) businesses. This trend shows a better performance for the industrial sector (+3.6%) with respect to tertiary sector (0.7%). In building sector revenues continued to shrink (-1.6%).

During 2014, external costs for both raw materials and services continued to rise slower than revenues, which had a positive effect on the value added generated by the companies analysed. (+2.7% with respect to 2013). Even labor costs rose more slowly: they grew by 1.6% year-on-year, less than the 2.3% increase from 2012 to 2013.

This slowdown in the cost of labor, combined with better value added growth, led to a recovery in productivity, as measured by the value added produced per 100 euros spent on personnel, from 147.5% in 2013 to 149.2% in 2014. This improvement was common to all company size categories, with the most sizeable growth among SMEs, but not in all sectors: productivity continued to drop among construction (going from 141.3% in 2013 to 140.9% in 2014), while industry and services recorded improvements of two percentage points each.

FINANCIAL CHARGES TO EBITDA RATIO: BUSINESSES ARE STRONGER

Higher gross profit margins and a falling cost of debt – facilitated by ECB's expansionary monetary policies– generated an improvement in the financial charges to EBITDA ratio. In fact, the percentage of companies whose financial charges absorb more than half of the gross operating income went down 0.9 percentage points to 25.5% in 2014. This reduction was most notable among SMEs (from 27.9% to 25.9%) and large companies (from 34.6% to 31.7%). By sector, this figure came down in industry (from 23.8% to 21.3%) and in services (from 27.4% to 26.5%), but not in construction, where a new peak of 26.8% was reached.

Thanks to the reduction of financial debt and to the increase of capitalization, the weight of debt on equity decreased: the ratio dropped from 62.9% to 57.1%, with a decrease of 5 percentage points among micro-businesses and SMEs and of 9% among large companies. At a sector level, the ratio was lowest in the service sector (45.2%, down from 51.4% in 2013), while, despite the drop, the highest ratio is recorded in the construction (74.5% from 82.1% of the year before).

***Cerved Group** is the largest information provider in Italy and one of the major credit rating agencies in Europe. It offers the most comprehensive range of products and services used by more than 34 thousand companies and financial institutions to assess the solvency and creditworthiness of its stakeholders, manage credit risk in all its phases, and accurately define marketing strategies. Furthermore, through Cerved Credit Management, Finservice and Recus, it offers solutions for the evaluation and management of NPLs.*

Contacts: Community – Strategic Communications Advisers
Tel. +39 02 89404231
cerved@communitygroup.it

Marco Rubino Tel. +39 335 6509552
Camilla Mastellari Tel. +39 342 0866293