

# CRIF AND NOMISMA STUDY: AGAINST THE WIND' COMPANIES FOR FUTURE ITALIAN GROWTH RATE



Companies 'Against the wind': it is essential that the component that drives the country manages not to lose momentum. If there was a retreat the damage would be incalculable.

'Against the wind', how companies can navigate in a time of emergency Coronavirus ? This is the research presented by Nomisma and CRIF; a study able to identify some structural factors that ensure companies a greater propensity to competitiveness such as geographical location, the size of the company, belonging to certain sectors.



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As well known, after years of stagnant growth, at the end of 2018 Italy entered a technical recession; the aggregate figure however, is not in a position to catch the differences that characterize the course of the single industrial sections and the entrepreneurial truths that operate on the territory. Within a Country that has stopped, there are manufacturing sectors and companies able to record excellent results and act as a driving force.

From these considerations comes a methodological approach that, starting from 71,115 companies representing the size and structural configuration of Italian manufacturing (revenues of 741 billion euros % over 70% of the market), allowed to identify a small group of companies (4,829) capable of navigating the 'Against the wind'.

The boundaries of 'Against the wind companies' are established by strict performance criteria with respect to the main economic and financial variables: Revenues, EBITDA, Value Added. The identified thresholds require a performance equal to or higher than the manufacturing average and define the competitiveness standard of 'Against the wind'.





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## Data Analysis

The 4,829 companies 'Against the wind' represent 6.8% of manufacturing companies in 2018, generate 7.7% of revenues, 12.3% of value added and 18.8% of total EBITDA. They record revenues growing at least 5% each year, more than 11% between 2018 and the result obtained on average in the previous five years, with a high average margin (21.6% of revenues) that does not suffer setbacks.

Paradigmatic of the towing capacity of this minority component but very performing is the trend of EBITDA, whose final result 2018 ( 0.7%) is the compensatory effect of 27% marked by companies 'Against the wind' and -3,9% by Non-Against the wind' (93.2% of manufacturing enterprises).



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## Profile

But what are the peculiar characteristics of 'Against the wind companies'? Is it possible to identify some factors that increase the probability of navigating 'Against the wind'? The configuration of 'Against the wind companies' in terms of location of companies, size classes, distribution of revenues and sectoral representativeness differs from what can be seen by observing the manufacture as a whole.

In 'Against the wind companies' the importance of the productive fabric of the North-East regions grows (Trentino 17% in the number of companies and 65% in revenues, Emilia Romagna 16% and 55%, Veneto 16% and 21%); the share of medium-sized enterprises between 50 and 250 employees grows ( 37% number and 15% revenue contribution) ; revenues are distributed more evenly: 10% of the largest companies generate 68% of revenues compared to 76% of manufacturing.

Even at sectoral level, specific patterns can be identified: some sectors see their relevance accentuated, while others, on the contrary, undergo a downsizing. This is also because within segments with moderate and/or negative growth rates, individual companies with an innate ability to achieve significant performance, responding effectively to the growing competitive challenges to which their economic environment is subject.





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Analyzing the different contribution of the sectors to the generation of the three main economic items investigated in the two sets (Revenues, EBITDA and Added Value) Nomisma reaches the identification of three distinct groups:

1- Winning Industries: in which the relative incidence of the three variables (Revenues, EBITDA and Added Value) is always higher in 'Against the wind': packaging and pharmaceuticals are among the others;

2- Fluctuating Industries: in which there are relatively more competitive sectors on some parameters, but weaker in others. This is the case, for example, of car manufacturers who see their relative contribution decrease in terms of revenues in 'Against the wind', but they remain more than significant in the generation of the margin with an overweight of 4%;

3- Losers Industries: in which there is room for compartments that see their relevance contracted on all three indicators and whose companies are therefore less likely to enter into 'Against the wind'.

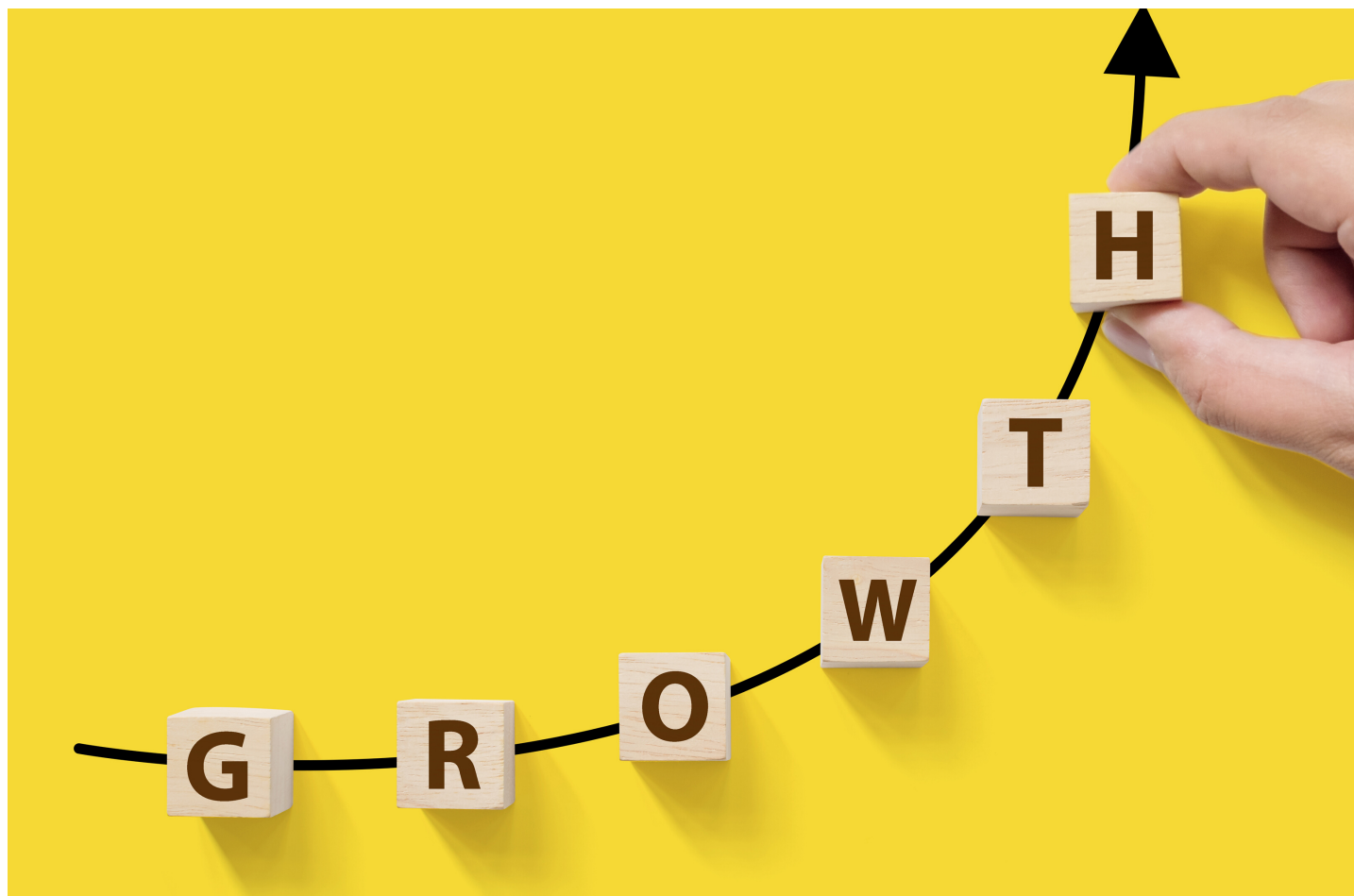
However, sectoral membership is not a sufficient condition to compete 'Against the wind': within the sectors some size classes show a superior competitive strength and represent an additional push factor.

In Packaging, a winning sector, emerging as 'Against the wind companies' are the most structured among the large, those with over 500 employees, while they downsize the medium and small. In pharmaceuticals, on the other hand, the composition of revenues in 'Against the wind' reflects rather faithfully the general configuration: large companies play a predominant role in the generation of total business volume, while small companies, although more numerous, a smaller quota is required. In this case, therefore, the size class of belonging does not appear as a discriminating factor to ensure greater relative competitiveness within the sector itself.

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Moving to two sectors 'losers' according to a logic of relative competitiveness, the paradigm appears completely reversed. Both in the food industry and in the nautical (two very different sectors for type of product, size and number) to fall in 'Against the wind' are mostly small and medium-sized enterprises. In the nautical one, where an important resumption of competitiveness has been recorded beginning from 2015 after years of heavy recession and narrowing of the market, companies with 50-99 employees show the best performance despite the majority of revenues in the sector is due to a few large operators. In the same way in the food industry large and very large companies fail to meet the stringent parameters of 'Against the wind' (especially in terms of operating margin) and leave room for more dynamic and smaller companies.





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## After Coronavirus perspectives

"Why is this research important at a time when the country is facing the Coronavirus emergency? The messages that can be drawn are of two kinds of reasons. Firstly, it is all the more important that the group of companies that drive the country should not lose too much momentum. If this head group were to fall back on relevant measurement, the damage would be incalculable", says Lucio Poma, Nomisma's Scientific Director for Industry and Innovation.

Fortunately, the investigation of the packaging (counterwind peak sector) carried out by the MECS Confindustria-UCIMA study center, and presented today at the same time as 'Against the wind', shows that the sector is substantially holding. Finally, it should not be forgotten that the generation and accumulation of a liquidity buffer and the maintenance of a solid financial and capital structure are also essential to face any downturn situations, such as the current emergency COVID-19.

In this sense, the liquid resources generated and maintained even for sudden financial needs, have become in recent months a key lung to enable the very survival of companies. In the course of the work was also presented a study carried out by Crif-Rating aimed at understanding the liquidity situation of the group of 'Against the wind companies'.

## Last three years

In the last three years, the 'Against the wind companies' have shown an increasing ratio between cash and current liabilities and that reached 50% at the end of 2018 compared to the median figure of 17% for the universe of Italian companies. This clearly puts them in an advantageous position to survive in a highly critical and volatile environment such as the current lockdown and to more easily switch on engines in phase 2. Encouraging signs, therefore, that we leave open glimmers of light for the recovery of our country.