Italian Corporate Outlook 2025

Resilience In Uncertain Times

S&P Global Ratings

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Nov. 26, 2024

This report does not constitute a rating action

Table Of Contents

Key Takeaways

We have a stable outlook on about 70% of rated Italian companies, which indicates credit resilience continuing in 2025 despite an economic slowdown. Credit quality is broadly on par with that of European peers. Compared with 2023, both positive and negative outlooks are up slightly.

High interest rates have dented cash flow moderately, with the effects more pronounced in the 'B' category, where operating cash flow contraction has been significant. However, this factor alone has not led to negative rating actions.

Corporate investment growth has almost flatlined, in line with most peer countries, reflecting economic uncertainty and increased geopolitical risks. Still, the capital expenditure (capex) expansion cycle does not show signs of downturn, pushed by digitalization and climate transition.

Financial leverage will improve modestly in 2025 but remain above prepandemic levels. Debt to EBITDA is progressively recovering since the pandemic peaks, it remains high mainly due to higher leverage in the speculative-grade rating category driven by new leverage financed transactions.

Manufacturing gross value added has performed well post-pandemic compared with peer countries, reflecting companies' ability to regain foreign markets and their upgrading their offerings.

Italy's manufacturing labor productivity has been on par with that of Germany and the U.S. Stagnant productivity at the country level is largely due to domestically focused sectors, such as services, public administration and construction.

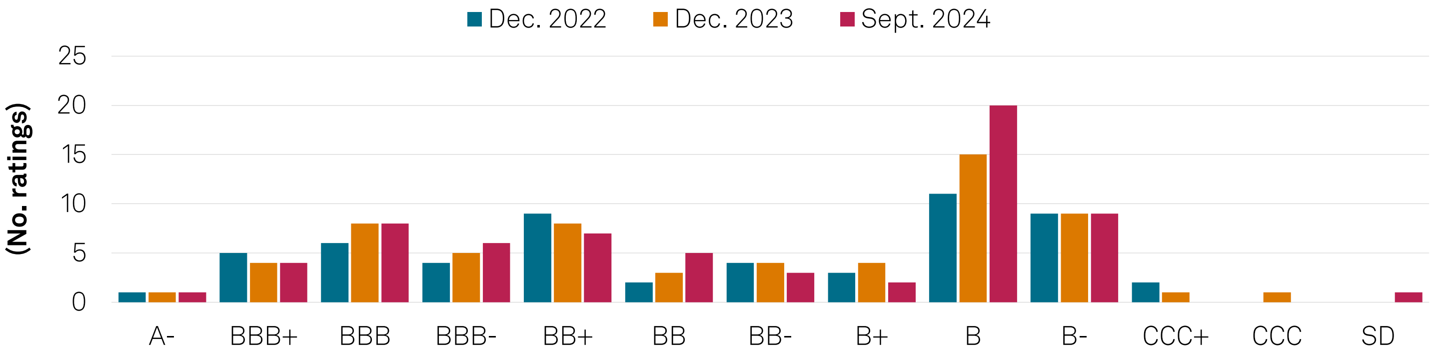
The country's high energy costs continue to hinder company competitiveness. Electricity prices continue to exceed those of European peer countries and the U.S., largely due to higher reliance on natural gas.

Cyber risk is increasing, but so far has had a limited impact on ratings. Based on RiskRecon data, Italian companies' cyber risk is in line with European and global corporate averages. The telecom sector displays the weakest RiskRecon grade across corporates both in Italy and in Europe.

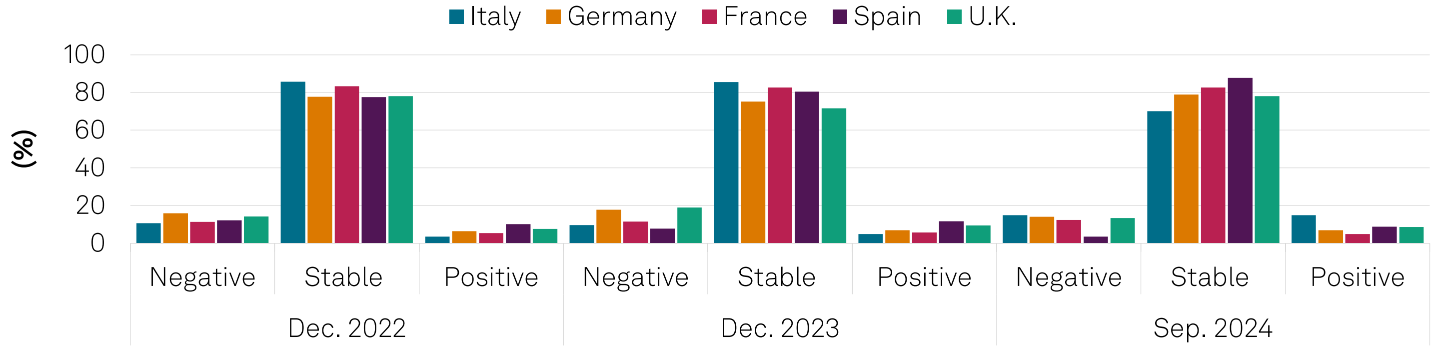
Italian Corporates
Stable Credit Quality

Italian Corporate Outlook Distribution | Stable Credit Quality, With Pockets Of Weakness In The ‘B’ Category

Italian companies rating distribution



Outlook distribution: Italy versus peer countries



Data as of Sept 30, 2024. SD--Selective default. Source: S&P Global Ratings.

- Italian companies’ credit quality is broadly on par with that of European peer countries. Compared with 2023, both positive and negative outlooks have increased.
- About 70% of Italian companies have a stable outlook as of September 2024, pointing to credit resilience ahead of a slowing economy. This level is down slightly from 2023 and lower than peer countries.
- Positive outlooks, at 15% of rated companies, are bit higher than peer countries and largely fueled by company-specific issues or improved business prospects in some sectors, such as defense and infrastructure construction.
- Negative outlooks stand at 15%, slightly above December 2023 levels. Most negative outlooks are in the ‘B’ category and reflect decreasing business and higher interest rates.

Italian Corporates
The Economic Environment Remains Constrained

Economic Overview | The Credit Cycle's Turn Won't Be Smooth Sailing

Top European risks

Regional wars spill over

Risk level	Very low	Moderate	Elevated	**High**	Very high	**Risk trend**	Improving	Unchanged	**Worsening**

International trade tensions extend to Europe

Risk level	Very low	Moderate	**Elevated**	High	Very high	**Risk trend**	Improving	**Unchanged**	Worsening

Low growth in Europe continues

Risk level	Very low	Moderate	**Elevated**	High	Very high	**Risk trend**	Improving	**Unchanged**	Worsening

Structural Risks

Disruptions linked to climate change and the energy transition could increase

Risk level	Very low	Moderate	**Elevated**	High	Very high	**Risk trend**	Improving	Unchanged	**Worsening**

Cyber risks continue rising

Risk level	Very low	Moderate	**Elevated**	High	Very high	**Risk trend**	Improving	Unchanged	**Worsening**

Risk levels are classified as moderate, elevated, high, or very high. They are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one-to-two years. Typically, these risks are not factored into our base-case assumptions unless the risk level is very high. Risk trend reflects our view on how the risk level will change over the next 12 months. Source: S&P Global Ratings.

- We expect that EU growth will pick up gradually as higher real incomes spur consumption and employment remains high.
- We expect the European Central Bank (ECB) will ease interest rates gradually, by 25 basis points per quarter until it reaches 2.5% in third-quarter 2025.
- Geopolitical risk and international trade tensions are the most relevant risks ahead of 2025

Real GDP forecasts

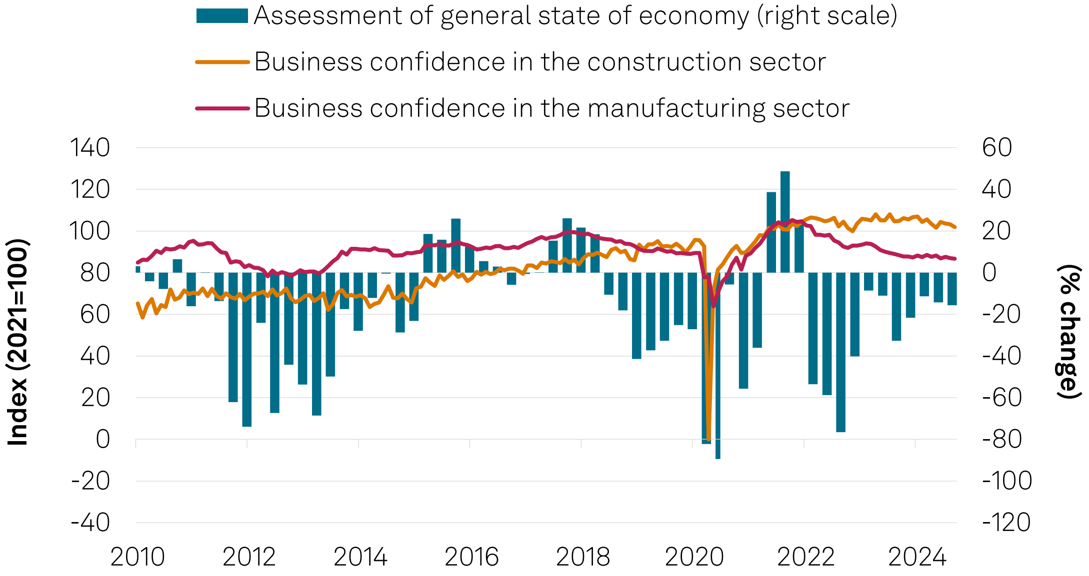
(% change, yoy)	2022	2023	2024f	2025f	2026f
Italy	4.1	1.0	0.9	1.1	1.1
France	2.6	1.1	1.1	1.2	1.4
Spain	5.8	2.5	2.7	2.1	2.0
Germany	1.4	-0.1	0.2	1.1	1.3
U.K.	4.3	0.1	1.0	1.3	1.6
Eurozone	**3.4**	**0.5**	**0.8**	**1.3**	**1.4**
China	3.0	5.2	4.8	4.6	4.6
U.S.	1.9	2.5	2.5	1.7	1.8

f--Forecast. yoy--Year over year.

Italy | Business Sentiment Stays Low

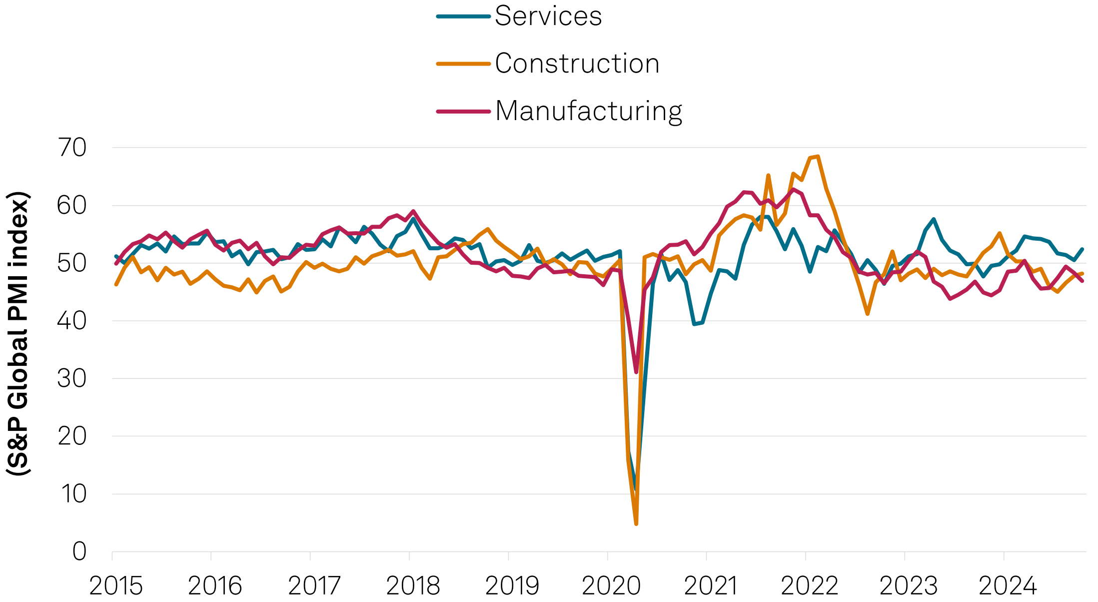
- Italy's business confidence and the PMI leading indicator in the manufacturing sector remain at gloomy levels, based on both domestic and international volume contraction.
- The construction sector's resilience reflects both sustained demand in infrastructure and residential building's retreat from post-pandemic highs.

Italy's business confidence indicators



Source: ISTAT. Banca d'Italia.

Italy's PMI indicators

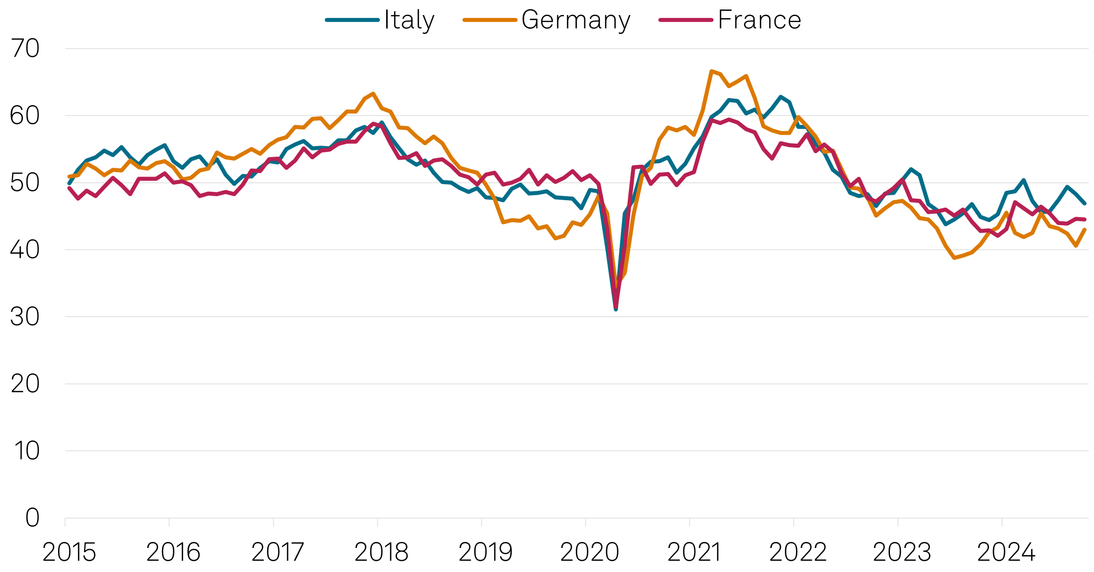


The S&P Global PMI® index varies between 0 and 100, with a reading above 50 indicating an overall activity expansion from the previous month, and below 50 an overall contraction. Source: S&P Global.

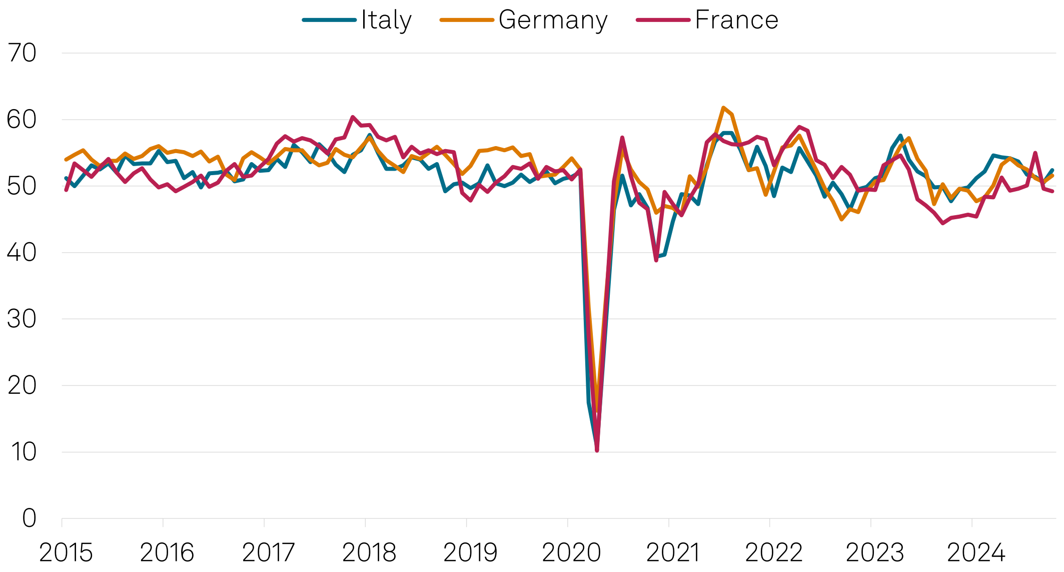
Italy | Business Sentiment Stays Low

- Germany leads the shrinkage in the manufacturing sector, driven by energy-intensive production, especially with chemicals and auto production.
- The service sector benefits from resilient domestic demand and positive price-cost gaps, but the business upturn is limited overall and in its early stages.

PMI manufacturing sector



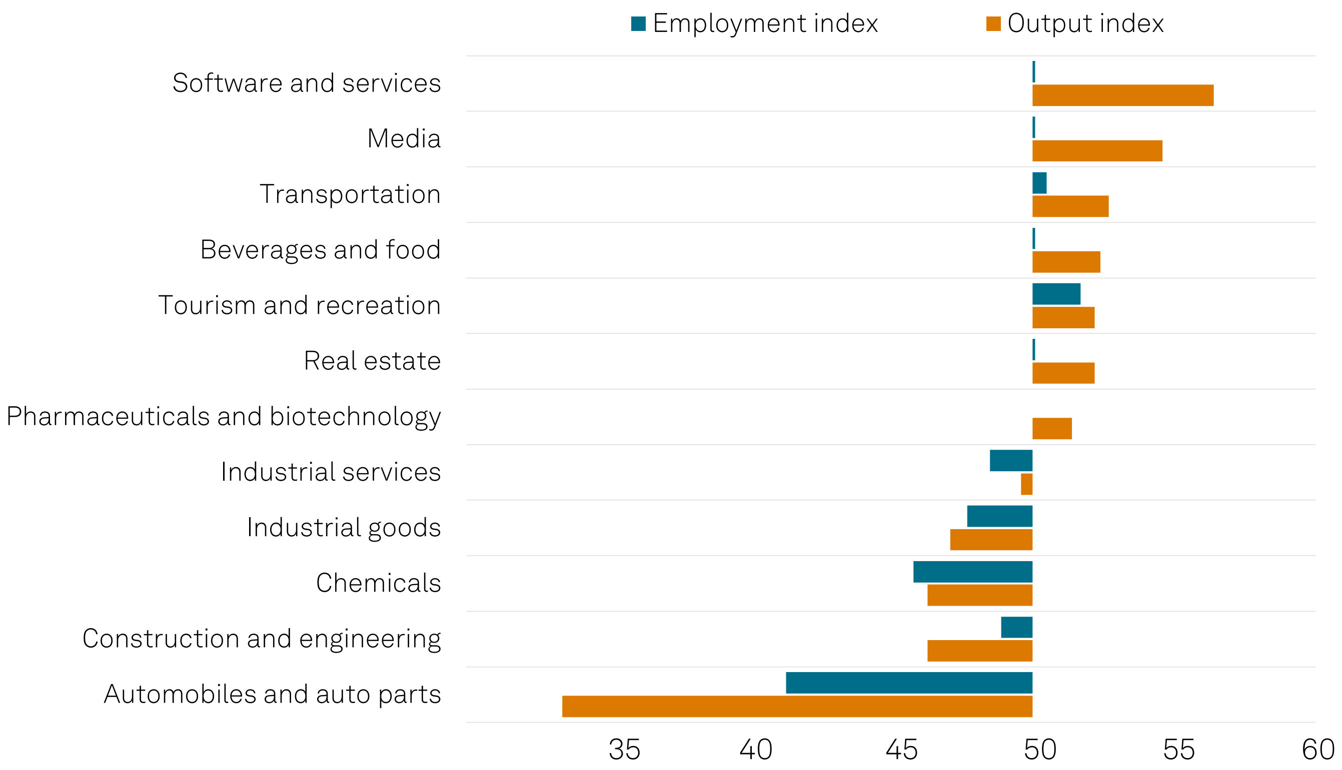
PMI services sector



The S&P Global PMI® index vary between 0 and 100, with a reading above 50 indicating an overall activity expansion compared to the previous month, and below 50 an overall contraction. Source: S&P Global Ratings.

EURO Sector PMI | The Auto Industry Displays The Fastest Output Contraction

European sector PMI, October 2024



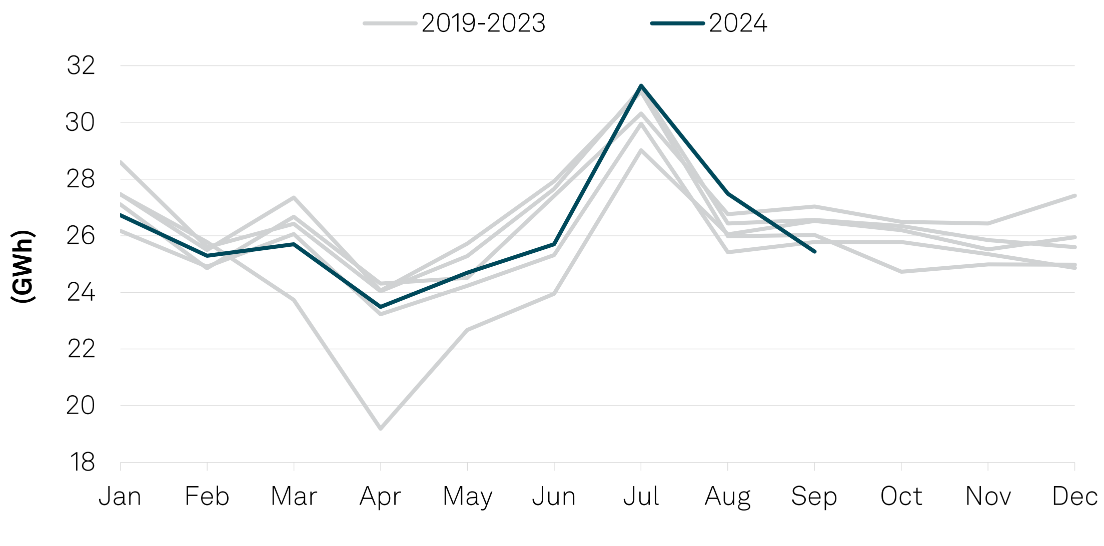
The S&P Global PMI® index vary between 0 and 100, with a reading above 50 indicating an overall activity expansion compared with the previous month, and below 50 an overall contraction. Source: S&P Global. Euro Sector PMI press release, Nov. 7, 2024.

- Weakness persists in both manufacturing and construction, with auto and auto supply companies posting the biggest volume drops.
- Chemicals continued to register muted demand conditions
- Instead, there is more resilience in the service sector, both business and consumer related
- In line with burgeoning customer uncertainty in placing new orders, private sector firms were hesitant to expand employment
- Moreover, evidence of broad-based spare capacity remained as only few sectors registered greater backlogs of work.

Italy | Electricity Demand Is Broadly Stable In 2024, With Prices Above Peers'

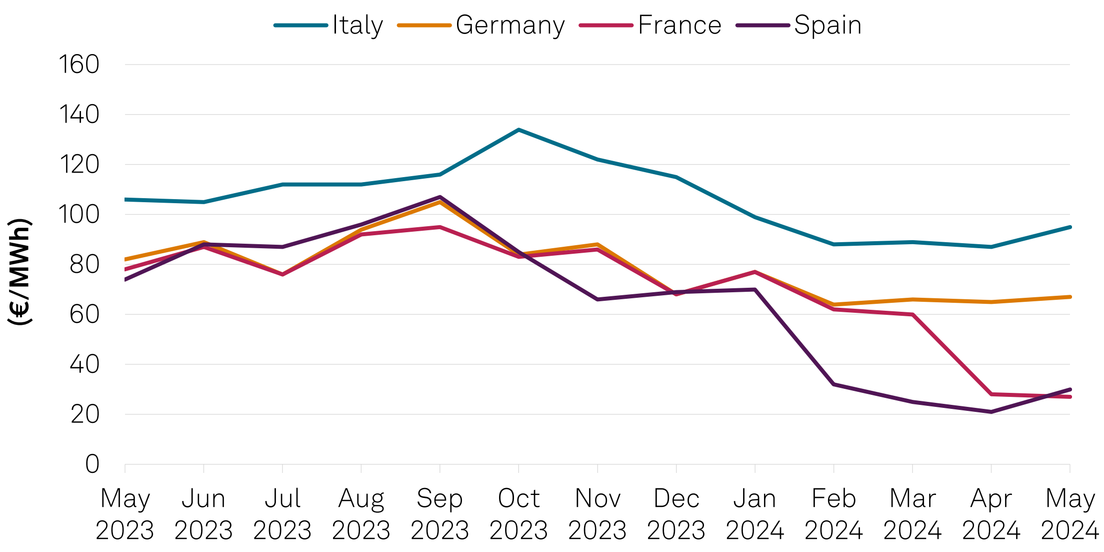
- Electricity demand so far in 2024 is largely in line with 2023 levels but remains below the post-pandemic highs, mainly due to lower consumption in the manufacturing sector.
- Electricity prices in Italy continue to significantly exceed that of European peer countries, largely due to the higher reliance on natural gas to produce electricity.

Italy electricity demand 2019-2024



GWh--Gigawatt hours. Source: TERNA Monthly Report on Electricity.

Electricity wholesale price, May 2023-May 2024



MWh--Megawatt-hour. Source: Fondazione Think Tank Nord Est, data from GME.

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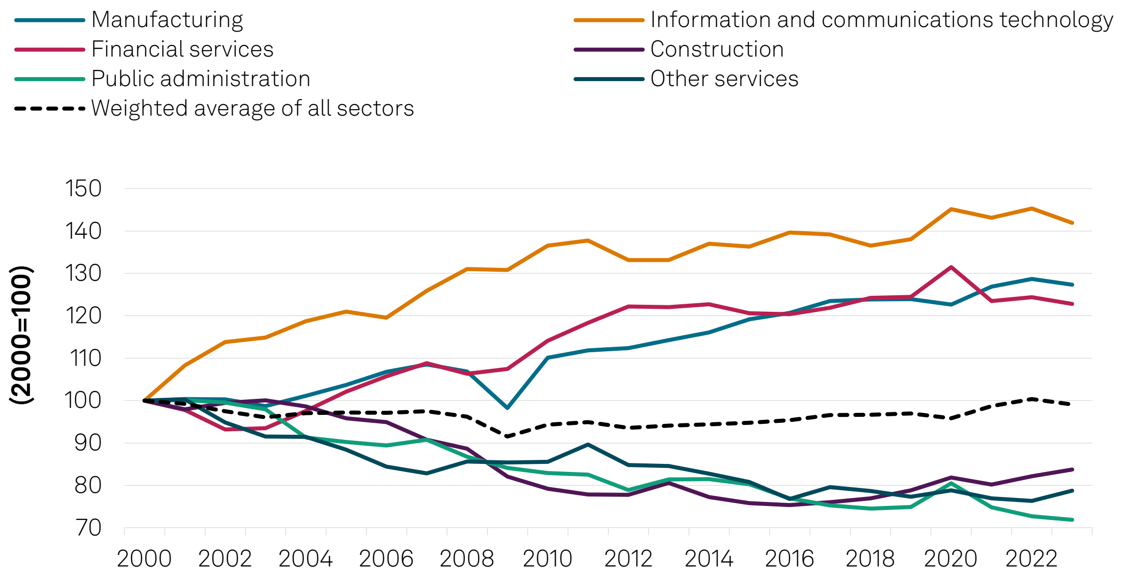
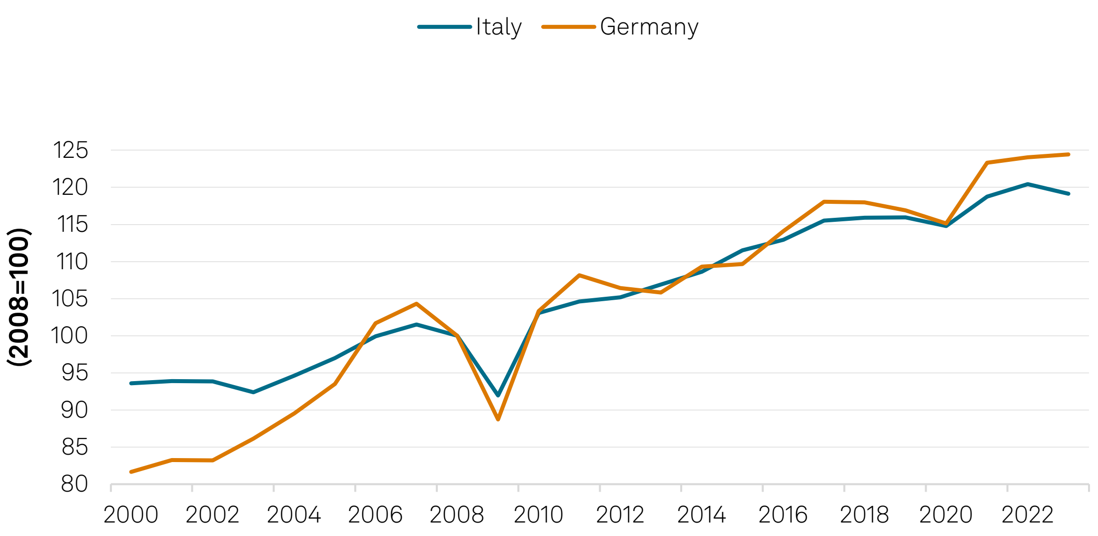
Italy | Productivity Is Stagnant, Largely Due To Domestically Focused Sectors

- Low investment partly explains the meager improvements in Italian productivity, but the story differs across sectors. Declining productivity in services and construction is pulling down overall Italian productivity
- In manufacturing, productivity has risen in line with that of Germany since the financial crisis. The widening gap since the pandemic reflects a diverging trend in jobs, with Germany laying off workers to offset costs in weak-performing industries.

Italian productivity by sector



Italian versus German manufacturing productivity

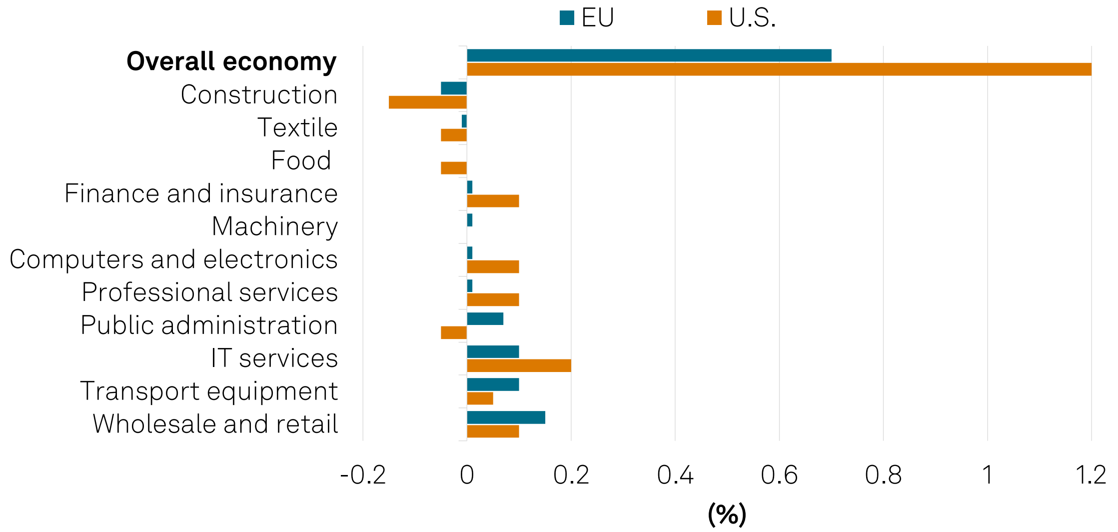


Source: Eurostat.

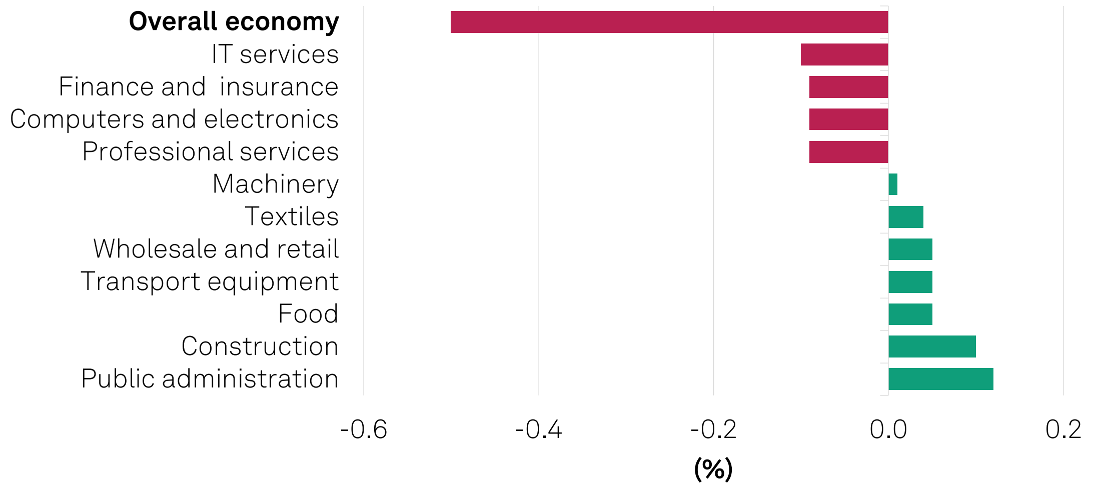
EU | The Productivity Gap With The U.S. Owes Largely To Digital Technology

- Since 2000, the EU has accumulated a significant productivity gap with the U.S., and its labor productivity is about 80% of the U.S. level. According to the Mario Draghi competitiveness report, the key factor in this is the EU's failure to capitalize on the first digital revolution.
- Excluding the tech sector, the EU's productivity growth over the past 20 years is equal to or slightly better than the U.S. in most manufacturing segments.

Annual labor productivity growth, U.S. and EU (2000-2019)



Difference in EU versus U.S. annual productivity growth

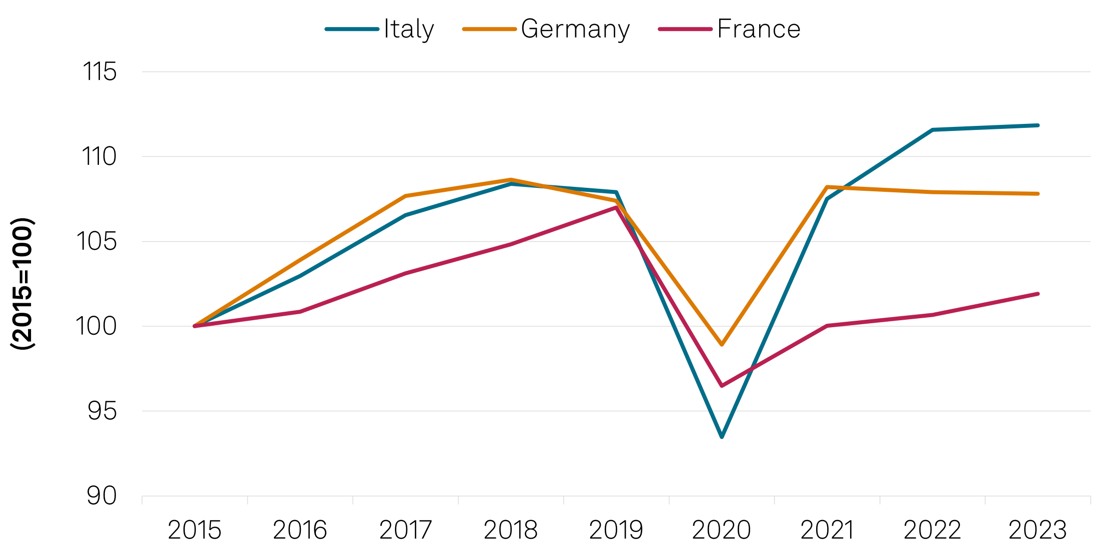


Note: EU is the GDP-weighted average of Austria, Belgium, Germany, Denmark, Spain, Finland, France, Italy, the Netherlands, and Sweden. The values are the average annual labor productivity (GVA per hour worked) growth contributions from 2000-2019.
Sources: Mario Draghi, The future of European competitiveness Sept 2024.

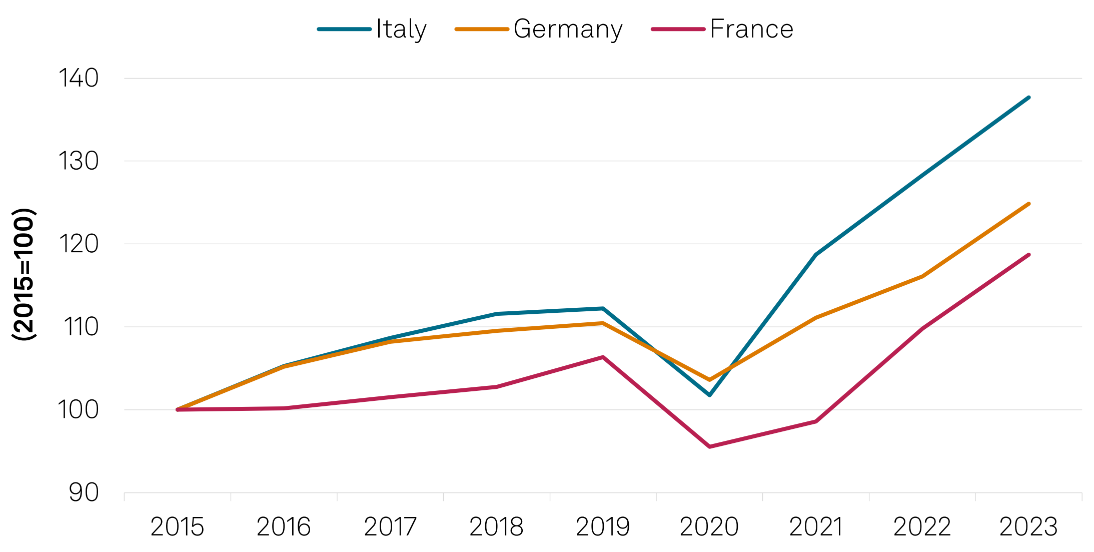
Italy | Manufacturing Gross Value Added Has Performed Well Post-Pandemic

- Italy's manufacturing performance has been more dynamic since the pandemic than with peer countries, reflecting its ability to regain foreign markets and a lower mix of underperforming sectors such as chemical and autos.
- Gross value added at current prices, which better incorporate qualitative offering upgrading, indicate an even stronger performance for Italy versus both France and Germany in 2021-2023.

Manufacturing gross value added, chain-linked volumes



Manufacturing gross value added, current prices

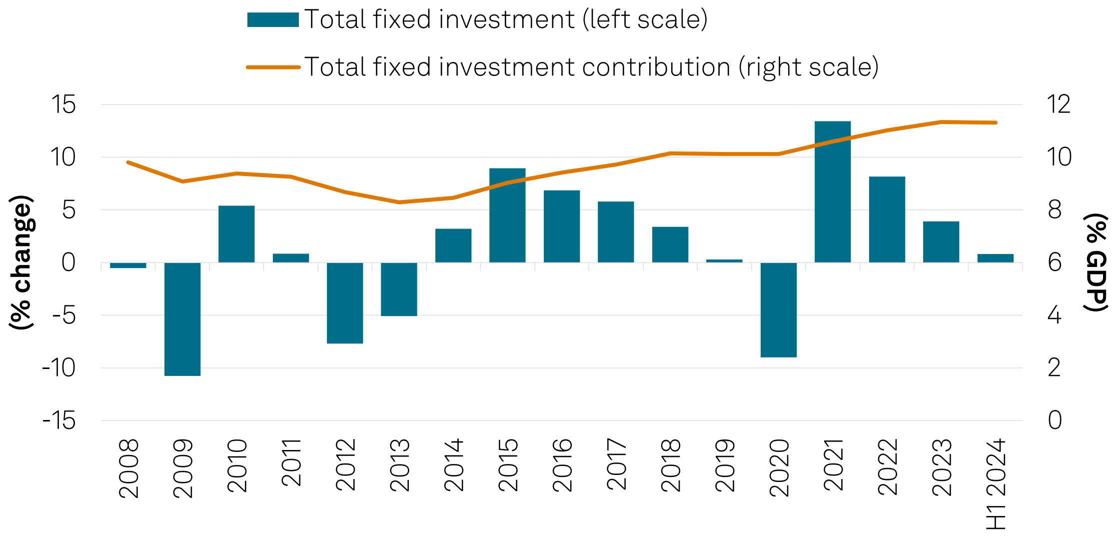


Source: Eurostat.

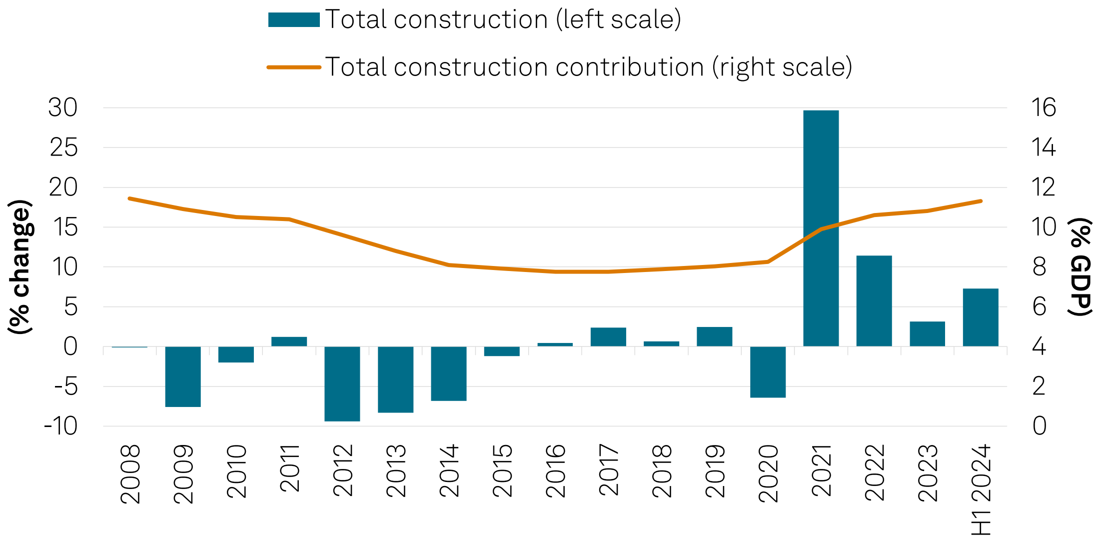
Italy Corporate Fixed Investment | Growth Has Largely Stalled

- Corporate investment growth fell in 2024 from post-pandemic rates, reflecting persisting economic uncertainty and high geopolitical risks. Corporate investment in digitalization and the climate transition continues apace.
- Italy's construction increased 7% in first-half 2024 notwithstanding the cut of tax incentive in the residential renovation. We still anticipate a restrained performance in the residential segment, offset by growth in civil engineering.

Italy corporate fixed investments



Italy construction investments

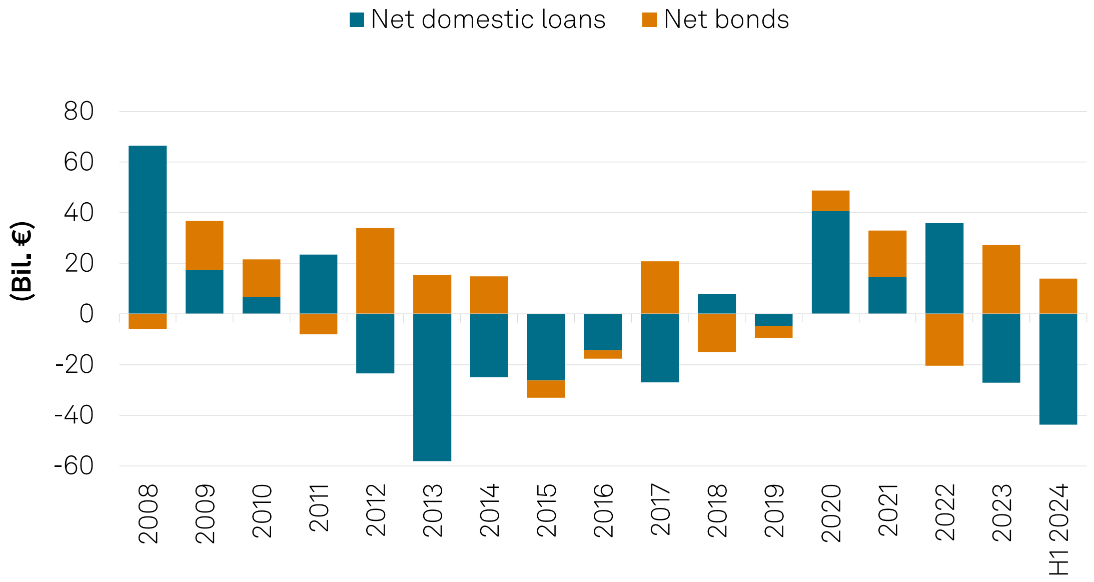


H1--First half. Sources: ISTAT, S&P Global Ratings.

Italian Corporates | Debt Levels Are Steady

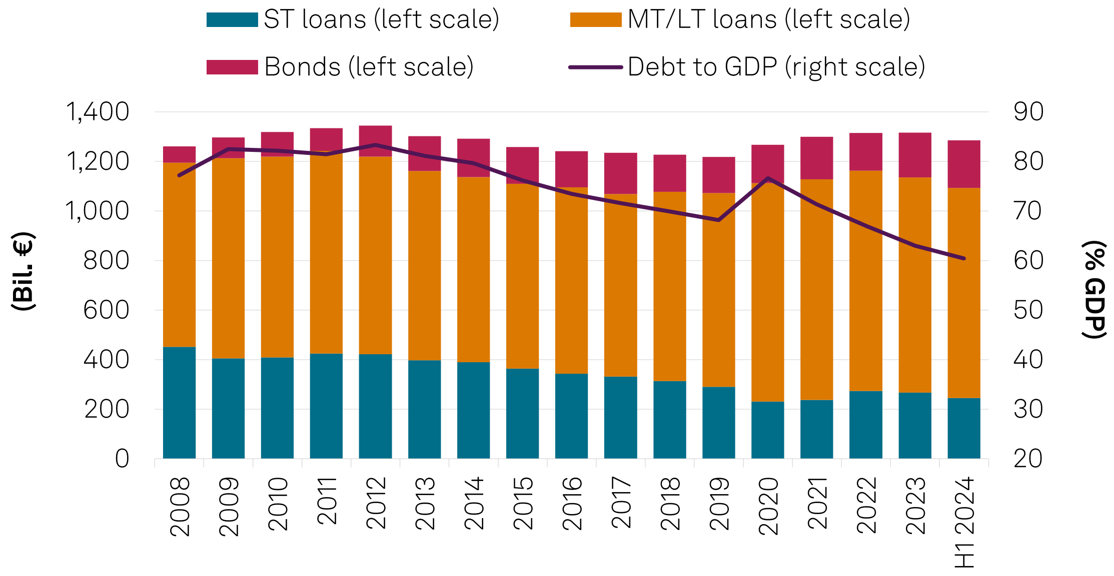
- Total Italian corporate debt increased 7% since 2019 but has been stable since 2022. Growth in bonds since 2023 has offset reduced loans, namely the state-guaranteed ones from the pandemic.
- Corporate bonds outstanding peaked in second-quarter 2024, fueled by supportive conditions in the primary capital market.

Italian corporate debt: change in loans and bonds



Sources: Bank of Italy, ISTAT.

Italian corporate debt trend



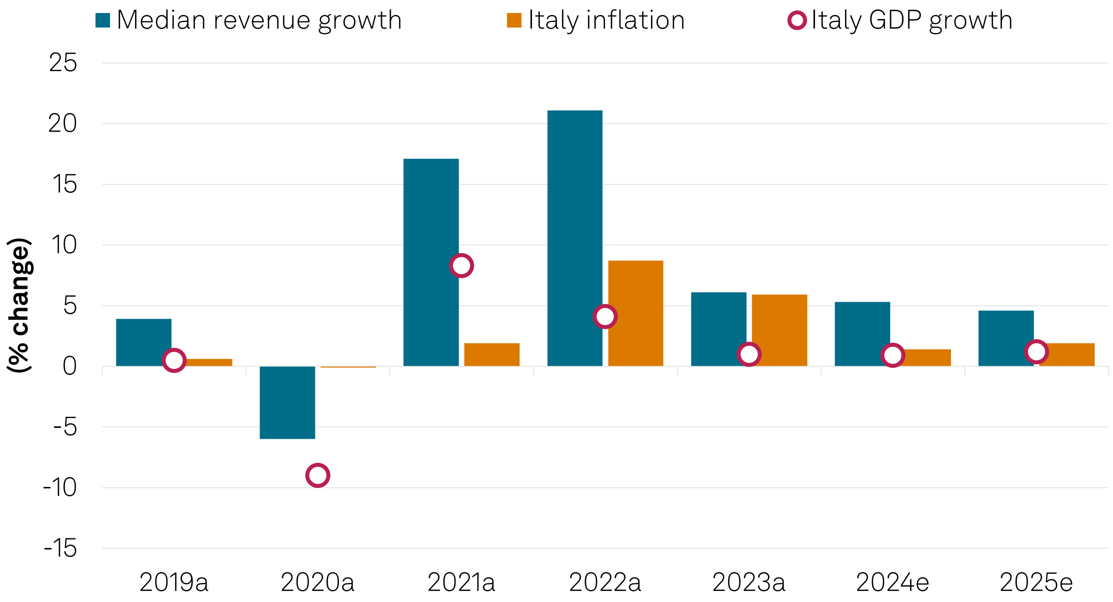
ST--Short-term. MT--Medium-term. LT--Long-term. H1--First-half. Sources: Bank of Italy, ISTAT.

Italian Corporates
Resilient Metrics With Subdued Growth

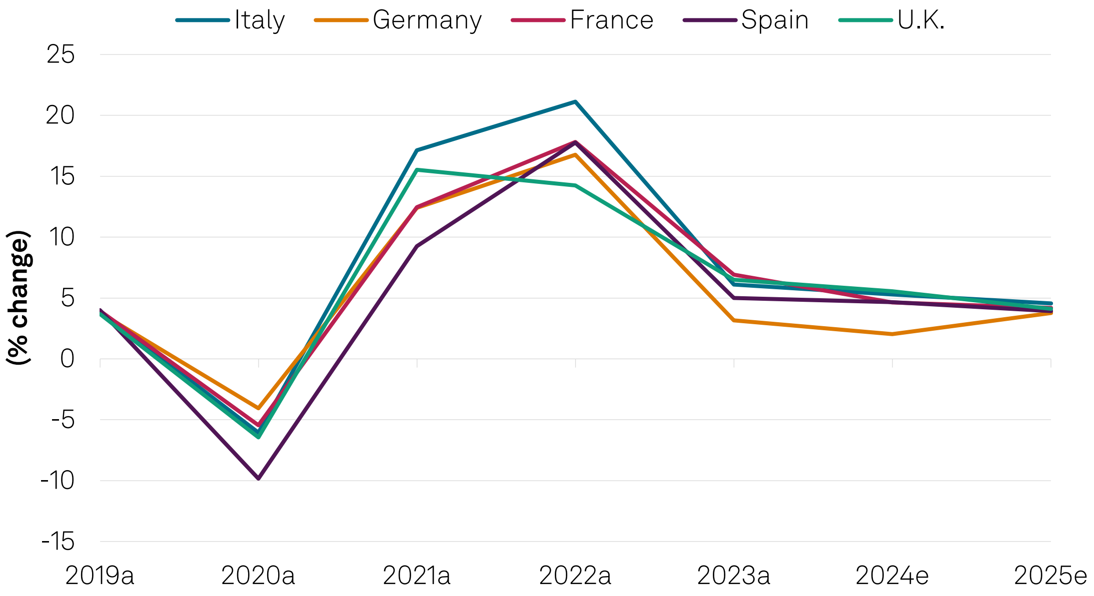
Italian Corporates | Revenue Growth Lessens With Inflation

- Italian companies' revenue growth in 2024 is aligned with European peer countries' and reflects moderate price increases outpacing cost inflation, while volume is falling in most sectors due to the subdued economic and business outlook.
- We anticipate modest revenue growth in 2025, owing to volume rebound.

Italian companies' revenue versus inflation and GDP



European companies' revenue growth



Rated companies' median revenue growth a--Actual. e--Estimate. Source: S&P Global Ratings.

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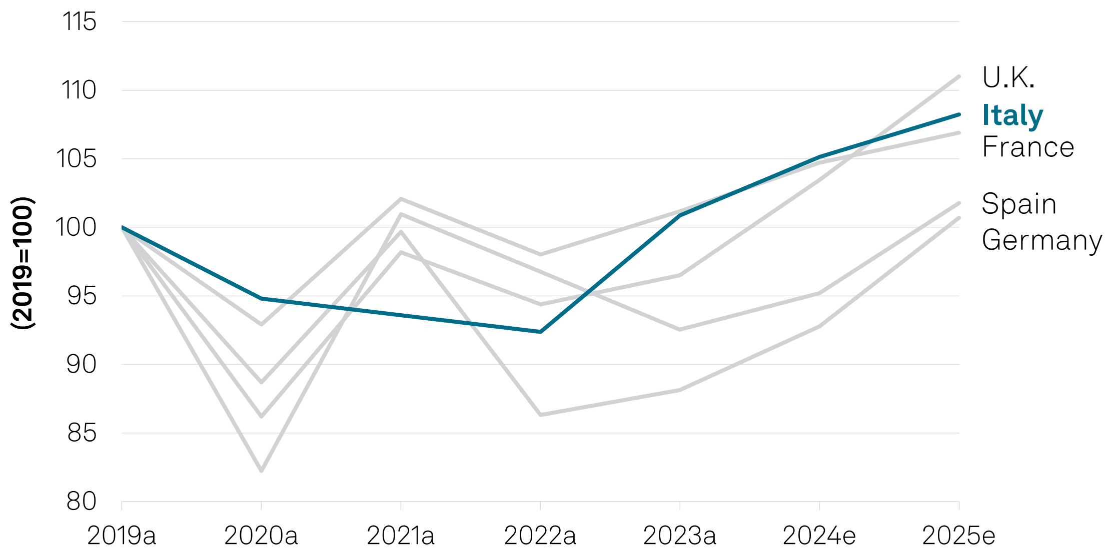
Ratings

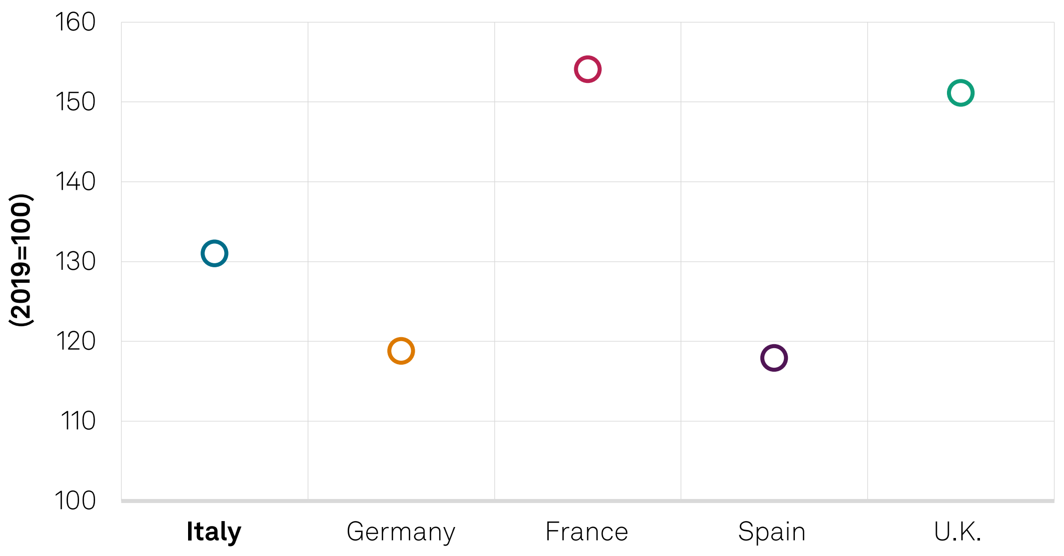
Italian Corporates | Modest Profitability Growth In 2024-2025

- Italian companies' EBITDA margins should improve modestly on average in 2024-2025, similar with European peers, although there are pockets of contraction, namely in the commodity sectors
- Most companies' absolute profitability remains well above pre-pandemic levels, after having benefited from cost inflation in 2022-2023.

Rated companies' EBITDA margins



Rated companies' average EBITDA, 2024e-2025e



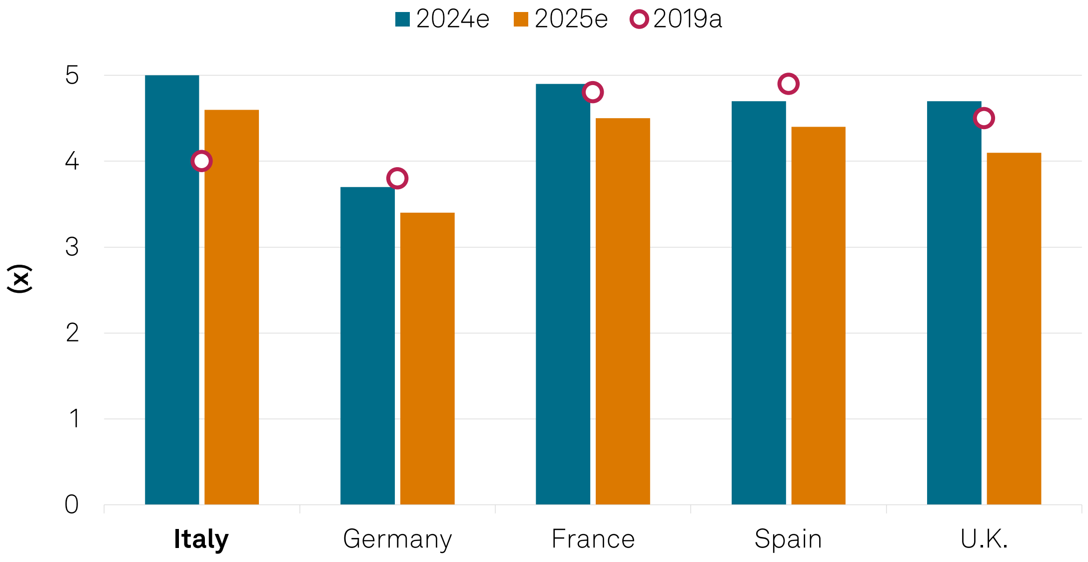
Rated companies' median of EBITDA margin. a--Actual. e--Estimate. Source: S&P Global Ratings.

S&P Global Ratings

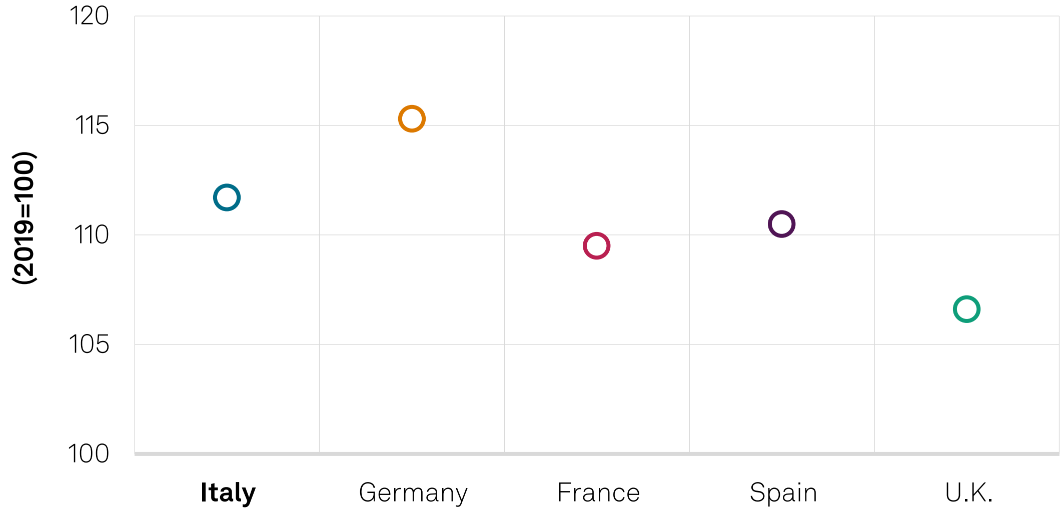
Italian Corporates | Financial Leverage Will Improve Modestly In 2025

- Italian companies' debt to EBITDA has progressively recovered from the pandemic's peak but remains higher than in 2019, largely because of higher leverage in the speculative-grade rating category.
- Similar to peer countries, adjusted debt is higher than pre-pandemic levels, mainly due to new capital investments and M&A.

Rated companies' debt to EBITDA



Rated companies' average adjusted debt, 2024e-2025e



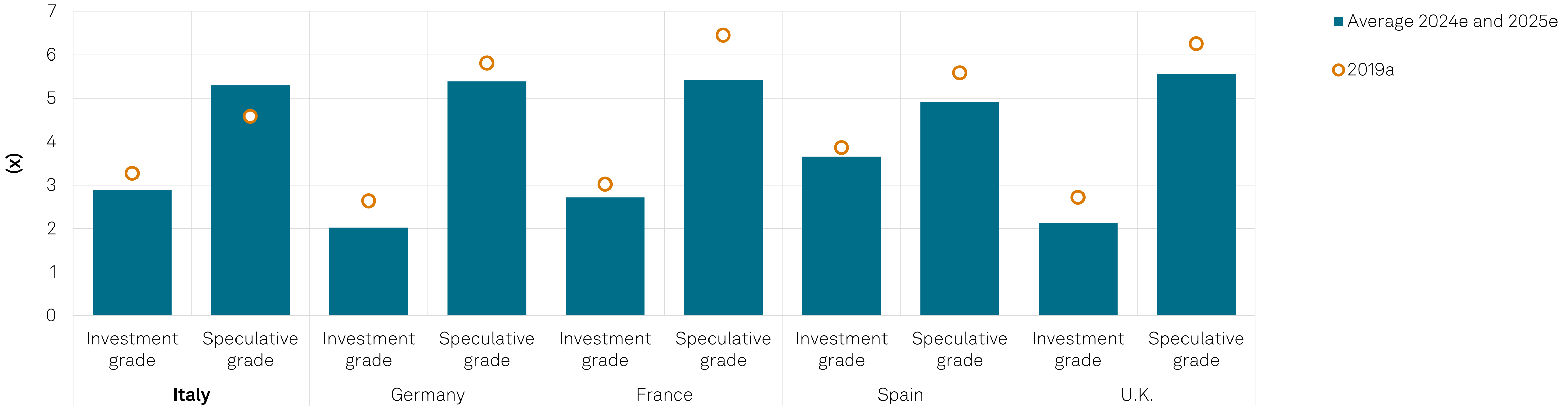
Rated companies' median of EBITDA margin. a--Actual. e--Estimate. Source: S&P Global Ratings.

S&P Global Ratings

Italian Corporates | Speculative-Grade Leverage Is Above Pre-Pandemic Levels

- Italian companies' debt to EBITDA in the speculative-grade category remains above pre-pandemic levels, largely fueled by higher debt in leverage finance transactions.
- Debt to EBITDA in the investment-grade category is modestly below pre-pandemic levels, in line with European peer countries'.

Rated European companies' median debt to EBITDA

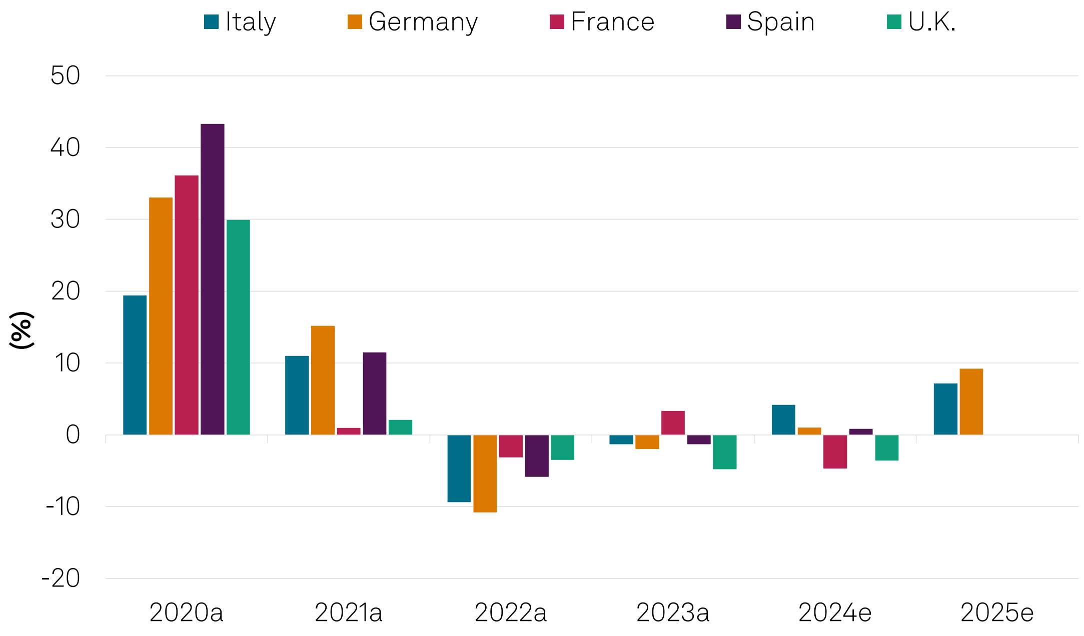


a--Actual. e--Estimate. Source: S&P Global Ratings.

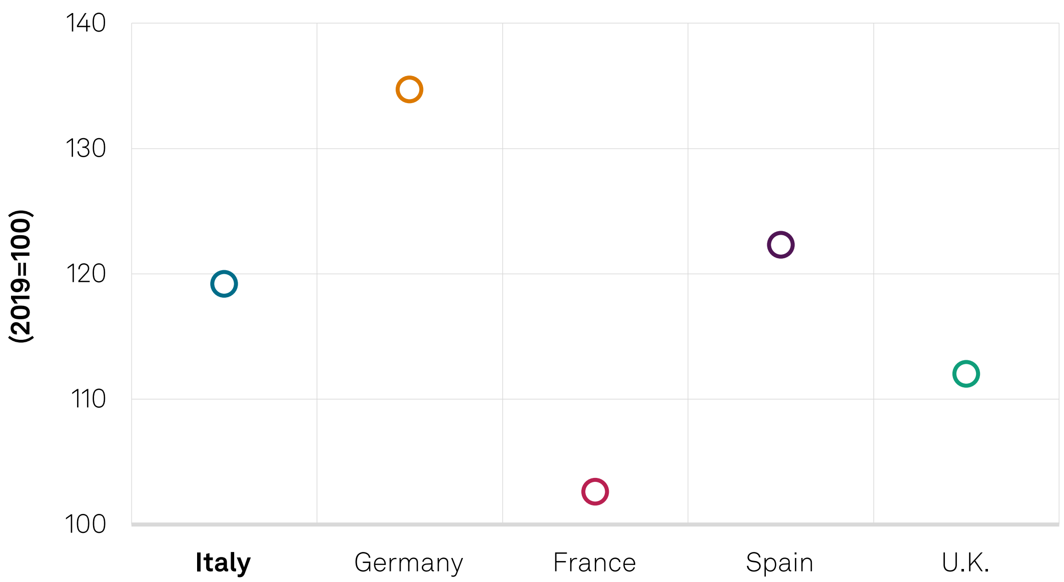
Italian Corporates | Cash Rises Modestly After Falling In 2022 And 2023

- The yearly change in cash on the balance sheet has returned to historical norms. It had shrunk in 2022-2023 following the surge during the pandemic.
- Total cash on the balance sheet remains higher than pre-pandemic levels, although post-pandemic inflation partly explains this.

Rated companies' cash growth 2020-2025e



Rated companies reported cash average for 2024e-2025e



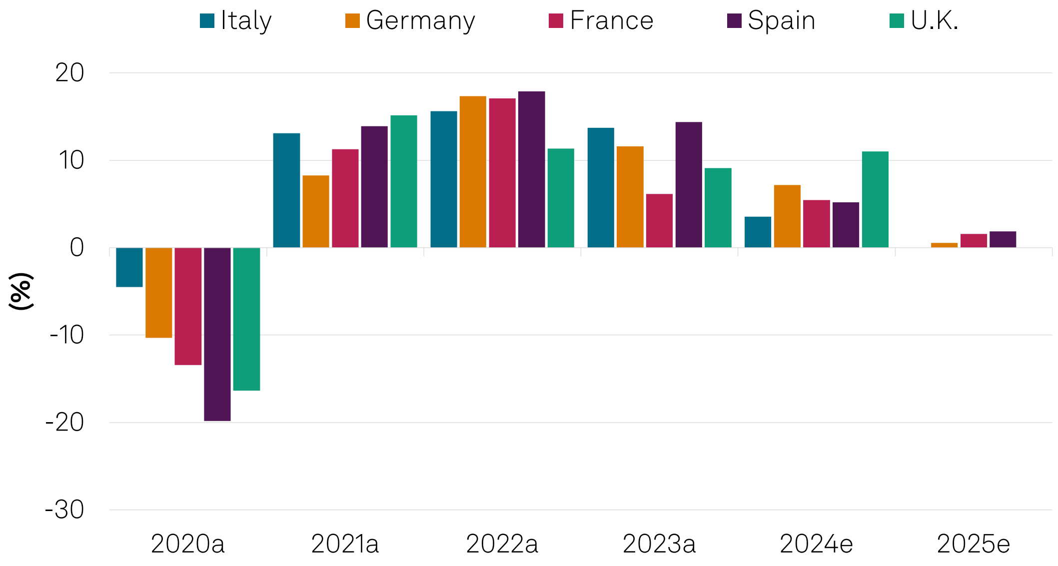
Median. a--Actual. e--Estimate. Source: S&P Global Ratings.

S&P Global Ratings

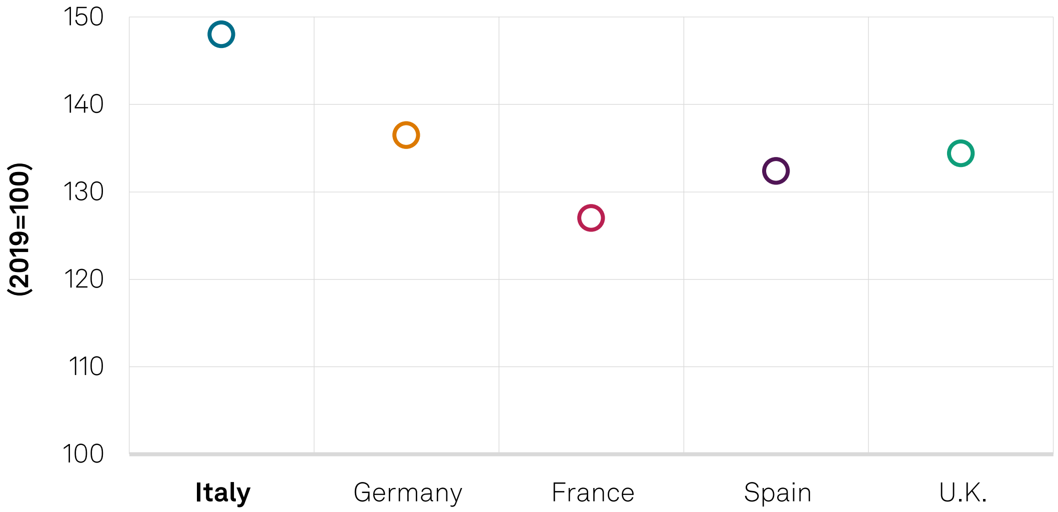
Italian Corporates | Capex Growth Decreases But Level Remains High

- Italian companies' investment growth moderated significantly in 2024-2025, in line with most peer countries, reflecting economic uncertainty and increased geopolitical risks.
- Capex does not show signs of falling and remains well above pre-pandemic levels for all peer countries, pushed by digitalization and climate transition spending.

Rated companies' capex growth



Rated companies' reported capex, average for 2024e-2025e

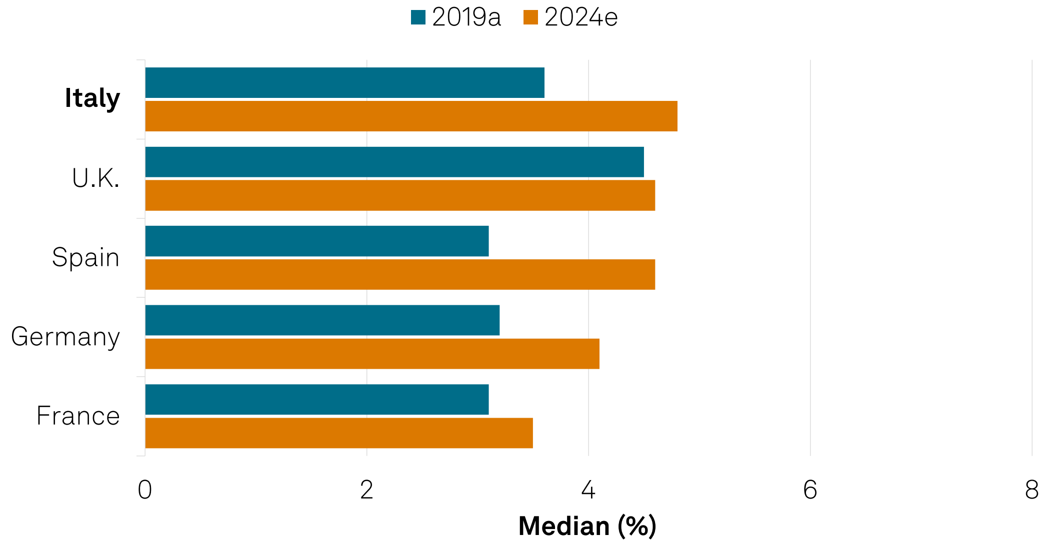


Median. Capex--Capital expenditure. a--Actual. e--Estimate. Source: S&P Global Ratings.

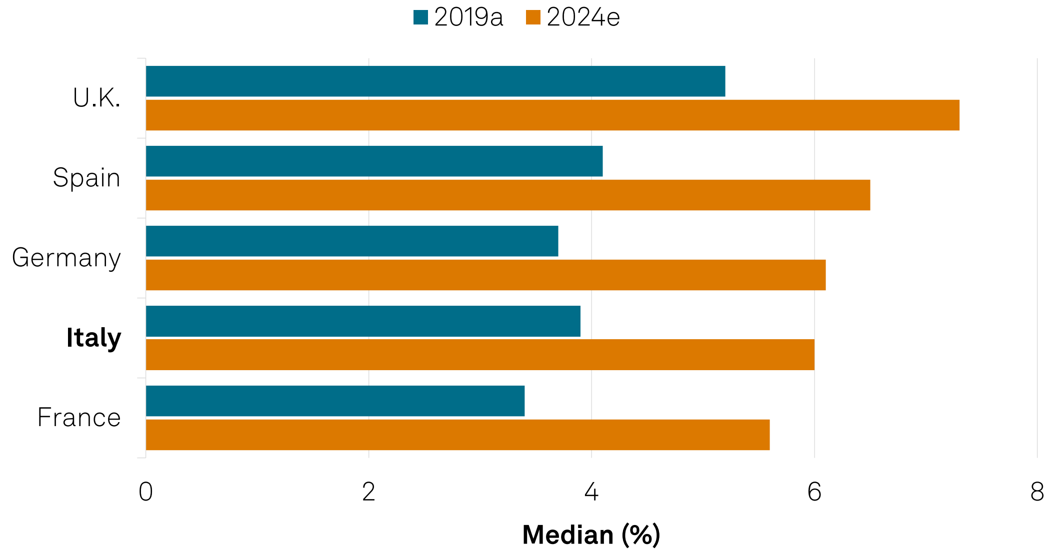
Italian Corporates | Higher Interest Rates Moderately Affect Cash Flow

- Interest rates are higher than before the pandemic and have translated into a reasonable increase of cost of financial debt in the investment-grade category, only moderately impairing operating cash flow
- In the speculative-grade category, the impact is more pronounced, particularly in the 'B' category, where the contraction of operating cash flow was significant. However, this alone has not been a driver of negative rating actions.

Investment-grade companies: Cash interest paid/total debt



Speculative-grade companies: Cash interest paid/total debt



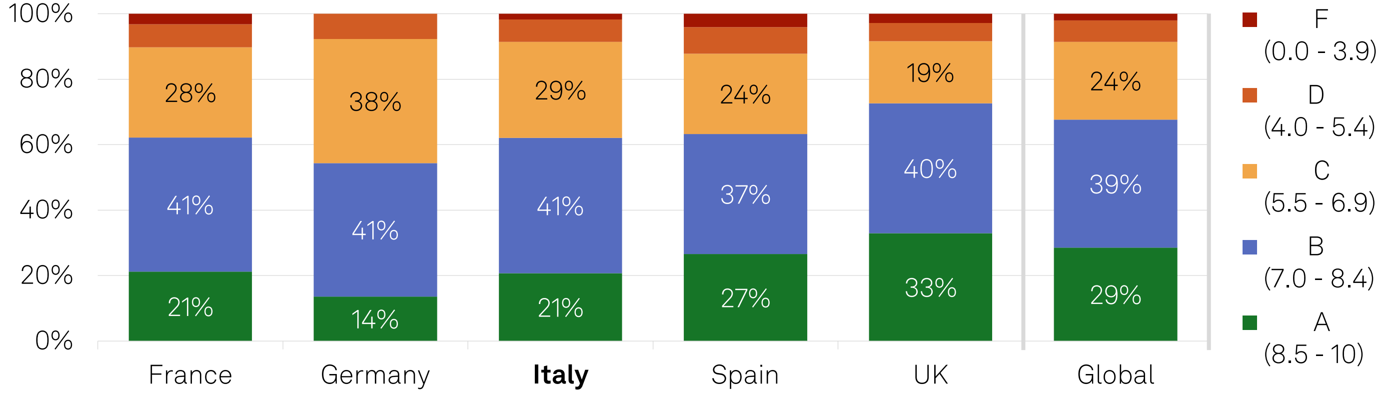
a--Actual. e--Estimate. Source: S&P Global Ratings.

S&P Global Ratings

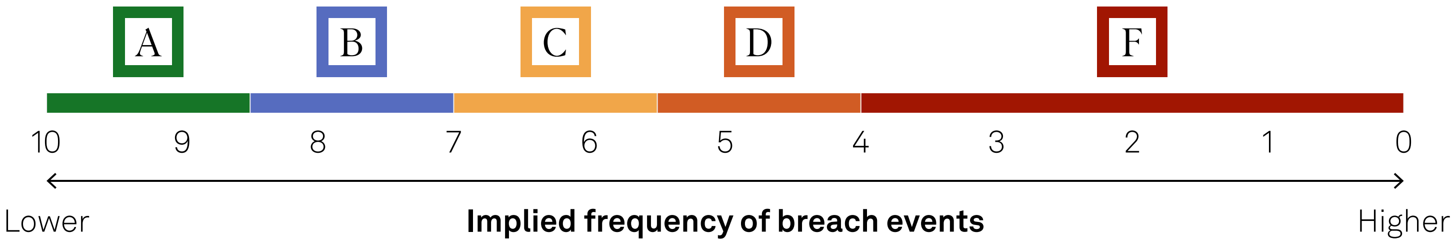
Italian Corporates Cyber Risk
A Comparison With Europe

Cyber Risk | Rated Italian Companies Are In Line With Peer Countries And The Global Rated Corporate Average

S&P Global Ratings-rated European corporates: RiskRecon cyber risk grade distribution (%)



RiskRecon rating scale



Data as of Oct. 13, 2024. Note: Numerical scale from 0 to 10, with 10 being the best. The numeric rating translates into an A – F rating scale.
Source: RiskRecon, Inc., a Mastercard company.

- At both global corporate level and in Europe, the average cyber risk grade stands at B (7.0- 8.4), on RiskRecon scale of A-F, with A having lowest likelihood of breach event.
- About 60% of rated companies in Italy and in Europe fall in the A and B categories, which indicates low likelihood of breach event. This implies good focus on cyber defense, according to RiskRecon methodology.
- Instead, about 40% of rated companies in Italy and Europe display moderate (C) or higher (D and F) likelihood of breach event. This implies weaker cyber risk management practices, according to RiskRecon methodology.
- Within Europe, Germany has a greater proportion of companies falling in the C grade, while the U.K. has highest concentration in the A and B grades.

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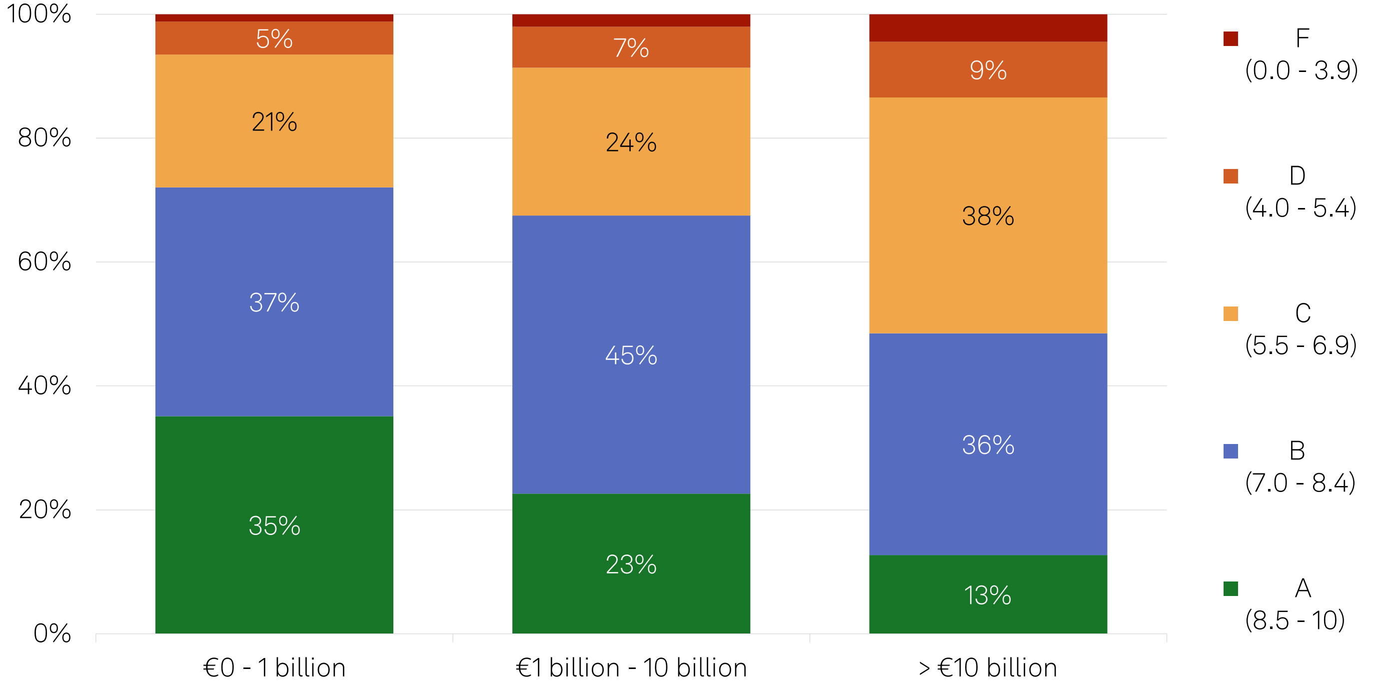
Cyber Risk | Large European Companies Have A Greater Attack Surface

European S&P Global Ratings-rated corporates: RiskRecon cyber risk grade distribution by revenue bucket (%)

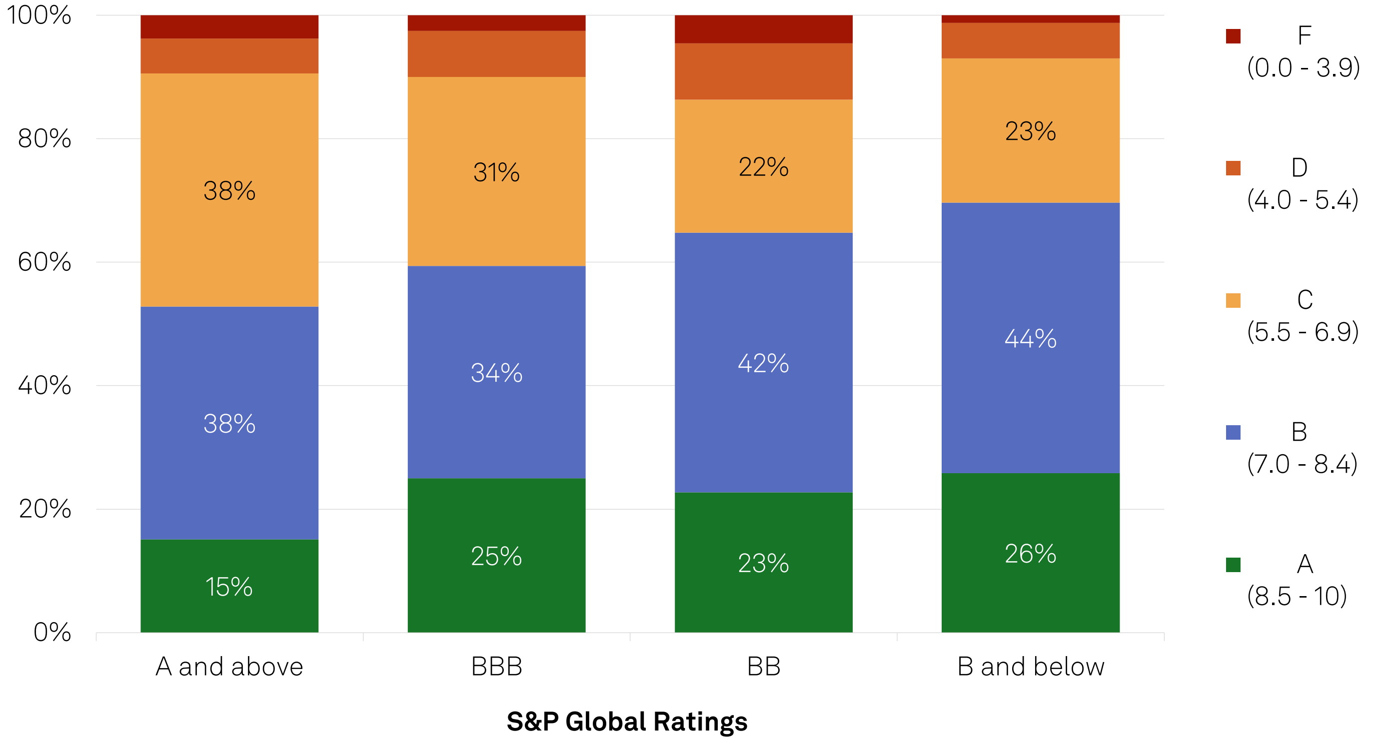


Data as of Oct 13, 2024. Note: Numerical scale from 0 to 10, with 10 being the best. The numeric rating translates into an A – F rating scale. RiskRecon data set covers 95% of S&P rated universe across five countries namely – France, Germany, Italy, Spain, and U.K.
Source: RiskRecon, Inc., a Mastercard company.

- When differentiated by revenue size, rated companies' cyber risk grades moderately increase as revenue increases.
- Only 49% of companies with revenue of more than €10 billion display a grade of A and B (which implies lower cyber risk), compared with 72% for companies with revenues of less that €1 billion.
- This most likely reflects wider attack surface (internet exposed systems) of larger corporates that may become attractive targets of attack as they display various access points, interconnected database and are present in several business lines and locations across the world.
- Also, these companies engage with a lot of third parties, where cyber risk could emanate from vulnerabilities across their systems, platforms, and supply chains.

Cyber Risk | Weaker RiskRecon Grades For Higher Rated Companies

European S&P Global Ratings-rated corporates: RiskRecon cyber risk grade distribution by rating category (%)



Data as of Oct. 13, 2024. Note: Numerical scale from 0 to 10, with 10 being the best. The numeric rating translates into an A – F rating scale. RiskRecon data set covers 95% of S&P rated universe across five countries namely – France, Germany, Italy, Spain, and U.K. S&P Global Ratings data as of Oct. 28, 2024.
Source: RiskRecon, Inc., a Mastercard company.

- There is no direct linkage between a rating from S&P Global Ratings and RiskRecon grade, though companies with higher ratings from S&P Global Ratings tend to exhibit weaker RiskRecon grades, most likely due to large companies' higher surface attack.
- Nevertheless, we expect investment-grade companies to have better financial strength to handle any cyber attack with lesser impact, also thanks to cyber insurance protection.
- Also, despite having a wider attack surface, higher-rated companies typically have stronger controls to detect, manage, and monitor cyber risks.
- So far, cyber risk has not been a primary driver of rating actions in Europe. However, as cyber attacks intensify, companies' preparedness becomes critical to contain the financial impact, and we anticipate more negative actions when we view cyber hygiene as not effective.

Cyber Risk | The Telecom Sector Displays The Weakest RiskRecon Grade Across Corporates Both In Italy And In Europe

European S&P Global Ratings-rated corporates: RiskRecon cyber risk grade by sector

	D (4.0 - 5.4)	C (5.5 - 6.9)
France	Telecommunication	Energy Regulated Utilities Media, Entertainment & Leisure
Germany	Telecommunication	Auto/Trucks Transportation Media, Entertainment & Leisure Healthcare
Italy	Telecommunication	Capital Goods/ Machinery/Equipment Energy Aerospace/Defense High Technology
Spain	Telecommunication	Media, Entertainment & Leisure Aerospace/Defense
U.K.		Telecommunication Auto/Trucks

RiskRecon Cyber risk grade

Data as of Oct. 13, 2024. Note: Risk categorization is based on average score of the sector. Sample relates to S&P Rated Corporate Universe.
Source: RiskRecon, Inc., a Mastercard company.

- The telecommunication sector exhibits the riskiest average grade, albeit slightly less risky in the U.K.
- This is because threat actors predominantly target sectors which have extensive and sensitive customer data or that provide critical services.
- These findings are broadly consistent with what we observe for U.S. corporates.
- Other sectors that display moderate grades include media, entertainment, and leisure; energy; aerospace and defense; and auto and trucks.
- Of note, there are no industries completely insulated from a cyber attack.

Cyber Risk | RiskRecon Grades Tend to Be Moderately Volatile, With Higher Transition At Weaker Grade Levels

European S&P Global Ratings-rated corporates: RiskRecon cyber risk grade transition 2023-2024 (%)

RiskRecon Cyber Risk Grade (As of 2023)	As of 2024: A	B	C	D	F
A	70%	24%	5%	1%	--
B	19%	62%	18%	1%	--
C	4%	40%	48%	8%	--
D	2%	12%	41%	34%	10%
F	--	11%	16%	26%	47%

Note: Transition metrics compares cyber risk grade level as of 2023 with cyber risk grade level as of Oct 2024. Sample is about 84% of S&P rated companies in Italy, Germany, France, UK and Spain. Source: RiskRecon, Inc., a Mastercard company.

- RiskRecon grades display volatility due to dynamic security, continuous scanning and monitoring, real-time breaches and cyber events, external dependencies, and third-party risk.
- In fact, cyber grades are sensitive to new indications of vulnerabilities among the nine key domains (see methodology in the appendix).
- Volatility tends to be higher in the C and D grades and significantly less in the upper part of the scale, that is, A and B grades.
- In most cases, grades have changed by one level better or worse, with higher share of changes to a better grade.

Italian Corporates

Rating Actions In 2024 Are Almost Balanced

Investment-Grade Ratings | Limited Rating Actions In 2024

Rating changes

Upgrade Downgrade

Italian government	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sovereign rating Italy	A+	A+	A	BBB+	BBB	BBB-	BBB-	BBB-	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB

Investment-grade Italian companies	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2i Rete Gas	--	--	--	--	--	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
A2A SpA	BBB+	BBB+	BBB+	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Aeroporti di Roma SpA	BB	BB	BB	BB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BB+	BBB-	BBB	BBB	BBB
Ali Holding SrL	--	--	--	--	--	--	--	--	--	--	--	--	--	BB+	BB+	BBB-
Autostrade per l'Italia	A-	A-	A-	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BBB-	BB-	BB	BBB-	BBB-	BBB-
Buzzi SpA	BBB	BBB-	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BBB-	BBB-	BBB-	BBB	BBB	BBB	BBB
Cementir Holding N.V.	--	--	--	--	--	--	--	--	--	--	--	--	BBB-	BBB-	BBB-	BBB-
Edison SpA	BBB+	BBB	BBB-	BBB	BBB+	BBB+	BBB+	BBB+	BB+	BB+	BBB-	BBB-	BBB	BBB	BBB	BBB
Enel SpA	A-	A-	A-	BBB+	BBB	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB
Eni SpA	AA-	A+	A+	A	A	A	A-	BBB+	BBB+	A-	A-	A-	A-	A-	A-	A-
Ferrovie dello Stato Italiane	--	--	--	--	BBB	BBB-	BBB-	BBB-	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB
Hera SpA	A-	BBB+	BBB+	BBB+	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+
Iren SpA	--	--	--	--	--	--	--	--	--	--	--	--	BBB-	BBB-	BBB	BBB
Leonardo SpA	BBB	BBB	BBB-	BBB-	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BBB-	BBB-
Pirelli & C. SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	--	BBB-	BBB-
Prysmian SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	--	BBB-	BBB-
SNAM SpA	--	--	--	A-	BBB+	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+
Società Metropolitana Acque Torino SpA	--	--	--	--	--	--	BBB	BBB	BBB-	BBB-	BBB-	BBB	BBB	BBB	BBB+	BBB+
Terna SpA	A+	A+	A	A-	BBB+	BBB	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+

Ratings as of Sept. 19, 2024. Source: S&P Global Ratings.

Speculative-Grade Ratings | Rating Actions In 2024 Are Almost Balanced

Rating changes

Upgrade Downgrade

Speculative-grade Italian companies (1/2)	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Agrifarma SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	B	B	B
Almaviva SpA	--	--	--	--	--	--	--	--	B+	B+	B	B	B+	B+	BB-	BB
Amplifon SpA	--	--	--	--	--	--	--	--	--	--	--	BB+	BB+	BB+	BB+	BB+
Bormioli Pharma SpA	--	--	--	--	--	--	--	--	--	--	B	B	B	B	B-	B-
Business Integration Partners SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	--	B	B
Cedacri SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	--	B	B
Centurion Newco SpA	--	--	--	--	--	--	--	--	--	--	--	B	B	B	B-	B-
Cerved Group SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	--	B-	B-
Dedalus Healthcare Systems Group SpA	--	--	--	--	--	--	--	--	--	--	--	B	B	B	B-	B-
DoValue SpA	--	--	--	--	--	--	--	--	--	--	--	BB	BB	BB	BB	BB
Eolo SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	B	B-	B-
Esselunga SpA	--	--	--	--	--	--	--	--	BBB-	BBB-	BBB-	BB+	BB+	BB+	BB+	BB+
Evoca SpA	--	--	--	--	--	--	--	--	B	B	B	B-	B-	B-	B-	B-
F.I.S. Fabbrica Italiana Sintetici	--	--	--	--	--	--	--	--	--	--	--	--	--	B	B	B
F-brasile SpA	--	--	--	--	--	--	--	--	--	--	B	B-	B-	CCC+	CCC+	B-
Fiber Bidco SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	--	B	B
Flos B&B Italia SpA	--	--	--	--	--	--	--	--	--	--	B	B	B	B	B	B
Golden Goose SpA	--	--	--	--	--	--	--	--	--	--	--	--	B-	B	B	B+
Guala Closures SpA	--	--	B	B	B	B	B	B	B	B+	B+	B+	B+	B+	B+	B
Ilpea Parent Inc	--	--	--	--	--	--	--	--	B	B	B	B	B	B	B+	B+
I.M.A. Industria Macchine Automatiche SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	B	B	B
Immobiliare Grande Distribuzione SIIQ SpA	--	--	--	--	--	--	--	--	--	--	BBB-	BB+	BB+	BB+	BB	BB

Ratings as of Sept. 19, 2024. Source: S&P Global Ratings.

Speculative-Grade Ratings | Rating Actions In 2024 Are Almost Balanced

Rating changes

Upgrade Downgrade

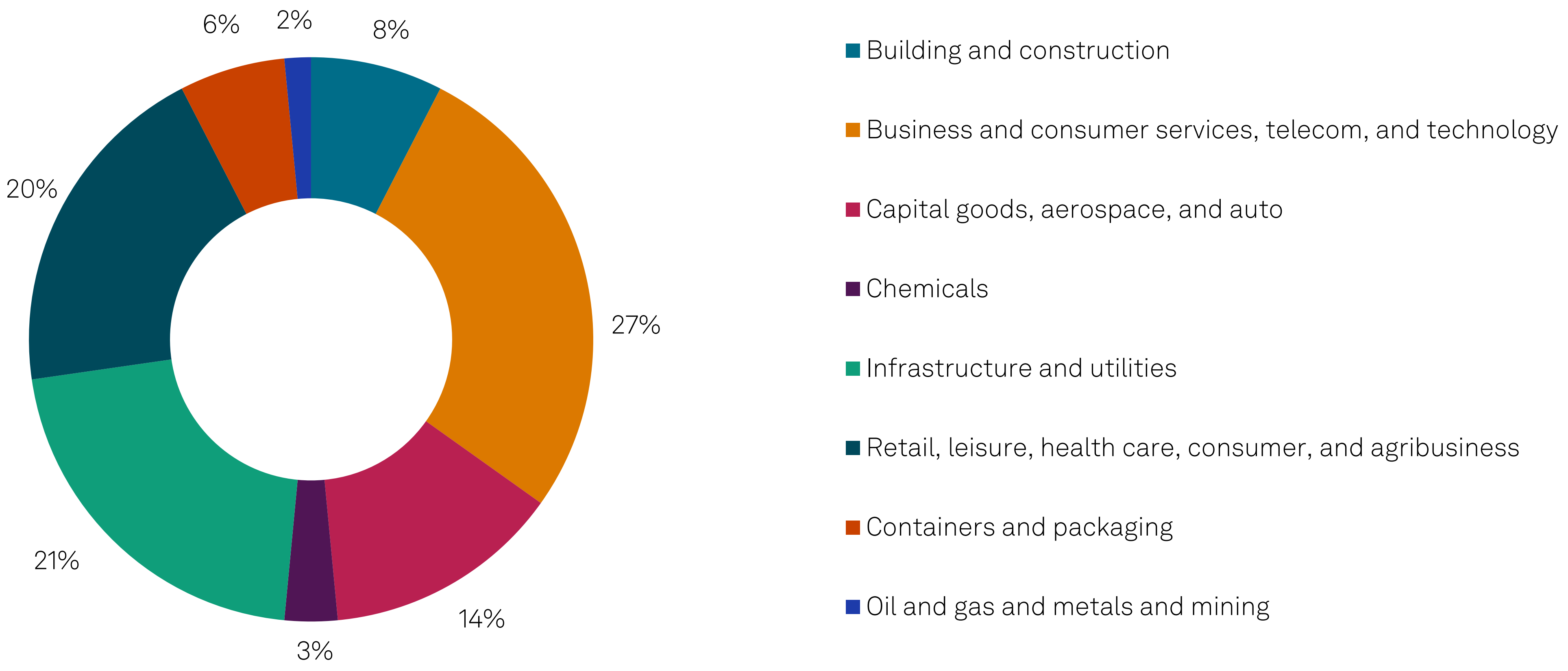
Speculative-grade Italian companies (2/2)	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Infrastrutture Wireless Italiane SpA	--	--	--	--	--	--	--	--	--	--	--	BB+	BB+	BB+	BB+	BB+
International Game Technology Plc	--	--	--	--	--	--	BB+	BB+	BB+	BB+	BB+	BB	BB	BB+	BB+	BB+
Itelyum Regeneration SpA	--	--	--	--	--	--	--	--	--	--	--	--	B	B	B	B
Kedrion SpA	--	--	--	--	--	--	--	--	--	--	--	--	B	B	B	B
Kepler SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	B-	B-	B-
La Doria SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	B
Leather SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	B	B	B
Lottomatica SpA	--	--	--	--	--	--	--	B	B	B+	B+	B	B	B	BB-	BB-
Lutech SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	--	B	B
Marcolin SpA	--	--	--	--	B-	B-	B-	B-	B	B	B	B-	B-	B-	B-	B
Multiversity SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	B+	B+	B
Mundys SpA	A-	A-	A-	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+	BBB	BBB-	BB-	BB	BB+	BB+	BB+
Neopharmed Gentili SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	B
Piaggio & C. SpA	BB	BB	BB	BB-	BB-	B+	B+	B+	B+	BB-	BB-	B+	B+	BB-	BB-	BB-
Pro.Gest SpA	--	--	--	--	--	--	--	--	--	BB	B	CCC+	CCC+	CCC+	CCC+	SD
Rekeep SpA (excluding CMF SpA)	--	--	--	--	B+	B	B	B	B	B	B	B	B	B	B	B
Rossini Acquisition Sarl	--	--	--	--	--	--	--	--	--	--	B	B	B	B	B	B
Saipem SpA	--	--	--	--	--	--	--	BB+	BB+	BB+	BB+	BB+	BB	BB	BB+	BB+
SCIL IV LLC	--	--	--	--	--	--	--	--	--	--	--	--	--	BB-	BB-	BB-
TeamSystem SpA	--	--	--	--	--	--	--	--	--	--	--	--	--	B-	B-	B-
Telecom Italia SpA	BBB	BBB	BBB	BBB	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BB+	BB	BB-	B+	BB
Webuild SpA	--	--	--	--	BB	BB	BB+	BB+	BB+	BB	BB-	BB-	BB-	BB-	BB	BB

Ratings as of Sept. 19, 2024. Source: S&P Global Ratings.

S&P Global
Ratings

Rated European Companies By Sector **Appendix**

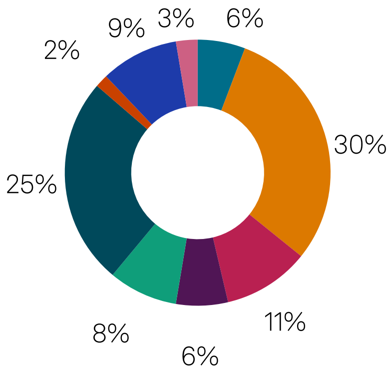
Rated Italian Companies By Sector



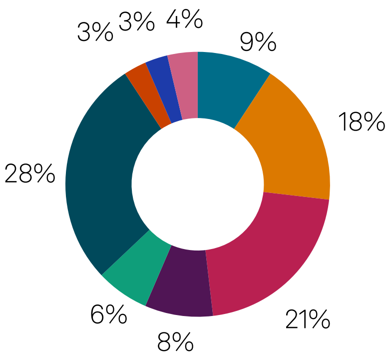
Data as of Sept. 23, 2024. Source: S&P Global Ratings.

Rated Companies By Sector | U.K., Germany, France, and Spain

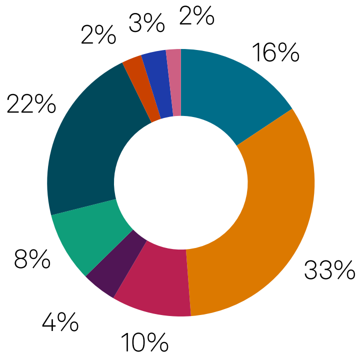
U.K.



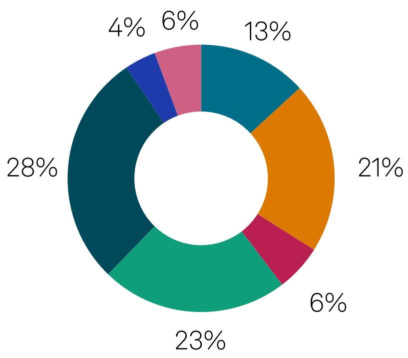
Germany



France



Spain



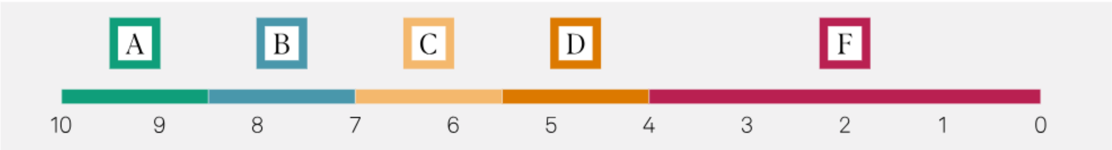
- Building and construction
- Business and consumer services, telecom, and technology
- Capital goods, aerospace, and auto
- Chemicals
- Infrastructure and utilities
- Retail, leisure, health care, consumer, and agribusiness
- Packaging
- Oil and gas, and metals and mining
- Other

Data as of Sept. 23, 2024. Source: S&P Global Ratings.

RiskRecon Methodology (Reprinted From RiskRecon Documentation)

RiskRecon rating scale

Rating scale of 0 to 10, with 10 being the best. The numeric rating translates into an A – F rating scale.



Source: RiskRecon Inc., a Mastercard company.

- The scores are aligned with risk management quality observed in the real world and that are strongly correlated to risk outcomes, such as destructive ransomware and data breach events.
- Those companies with poorest cybersecurity hygiene, rated F, have experienced a 16.6x higher frequency of breach events compared to A rated organizations, which RiskRecon observes as having very clean hygiene.

Nine key domains, the geometric mean of which is used to arrive at the RiskRecon cyber score

For more details on each domain, see next slide. Source: RiskRecon Inc., a Mastercard company.

RiskRecon Methodology (Reprinted From RiskRecon Documentation)

Nine key domains, the geometric mean of which is used to arrive at the RiskRecon cyber score

Software patching (30%)	Application security (12.5%)	Web encryption (12.5%)	Breach events (10%)	Network filtering (10%)	System reputation (7.5%)	DNS security (6.25%)	Email security (6.25%)	System hosting (5%)
Calculation based on the total number of software patching issues relative to the total population for each asset category, with each finding weighted based on issue severity and asset value.	Calculated based on the weighted average of following criteria, with the geometric mean applied in the final calculation. 1. CMS Admin Interface Exposure (37.5%) 2. HTTP security headers (37.5%) 3. High value systems encryption (25%) 4. Malicious code: Weight is 100% if any issue or 0% if no issue 5. External threat intelligence alerts--info only	Calculated based on the number of HTTP encryption configuration issues relative to the total population of systems implementing HTTP encryption.	Calculated based on the number of publicly disclosed breach events, with each breach event affecting the rating for 15 months. The first breach event automatically reduces the rating to 4.5, which then increases linearly to 10 over 15 months. Additional breach events while an existing breach event is affecting the rating further affects the rating.	The lowest rating between the two criteria of unsafe network services and internet-of-things (IoT) devices. 1. IoT devices: If discovered, maximum possible rating is 7.4. 2. Unsafe network services: If discovered, maximum possible rating is 7.4.	Calculated based on the weighted average of each criterion with the geometric mean applied in the final calculation: 1. Shared IP hosting (50%) 2. Hosting fragmentation (50%) 3. Hosting geolocations--information only.	Calculated based on the count of domains missing domain hijacking protection relative to the population of domains, factoring in domain value.	Calculated based on the weighted average of each of the following criteria with the geometric mean applied in the final calculation, each finding weighted based on issue severity and asset value: 1. Email authentication (50%) 2. Email encryption (50%) 3. Email hosting providers--information only.	Calculated based on the weighted average of each criterion with the geometric mean applied in the final calculation: 1. Shared IP hosting (50%) 2. Hosting fragmentation (50%) 3. Hosting geolocations--information only.

Source: RiskRecon Inc., a Mastercard company.

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41

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