

# BCG Transform & Special Situations Index 2024 -TSS Index-

Italy/Southern Europe



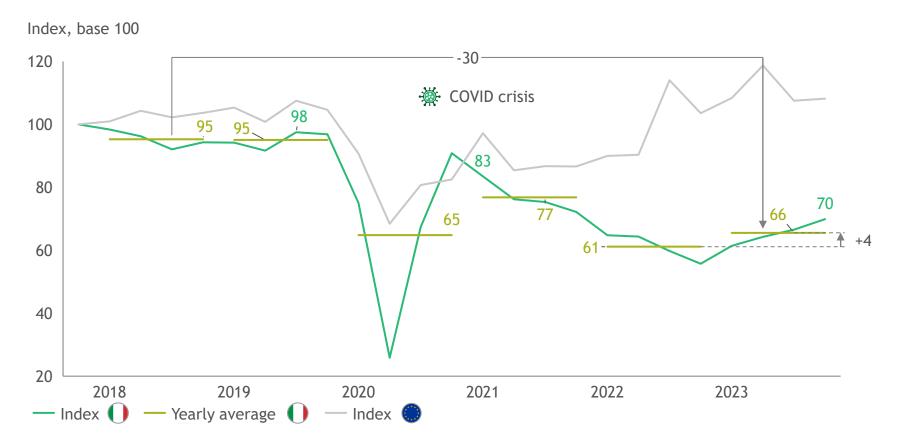


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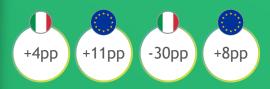
# +4pp in insolvencies over last year, below pre-COVID level and European average

# Insolvency filings: Q1 2018 through Q4 2023

Indexed development of the number of insolvencies (2018 at 100)



1. NPE = nonperforming exposure. 2. GBV = growth book value. Sources: Eurostat; International Monetary Fund; BCG analysis.



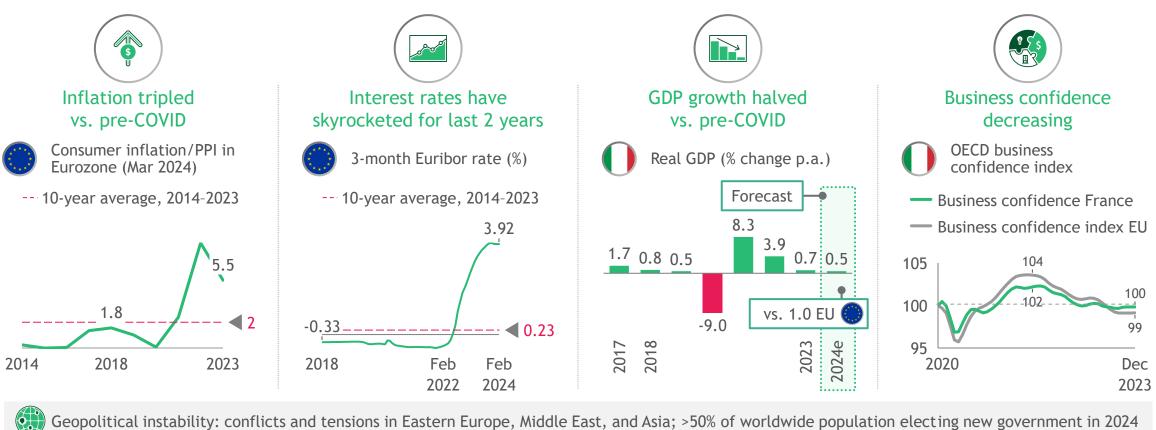
insolvencies 2023 vs. 2022

insolvencies vs. pre-COVID period

- > Italy with very limited increase in insolvencies (+4pp vs. 2022) also due to highest liquidity support through COVID crisis (35% of GDP vs. 7% for EU)
- A new corporate restructuring code finally came into force in 2022, fostering early resolution of corporate crisis and debtorfriendly solutions
- High level of debt, increasing default risk for upcoming years (total NPE¹ stock on banking books remains significant with €311 billion GBV² in December 2023)

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# Continuing macroeconomic headwinds suggest that transformation and restructuring pressures will stay strong in the next 24 months





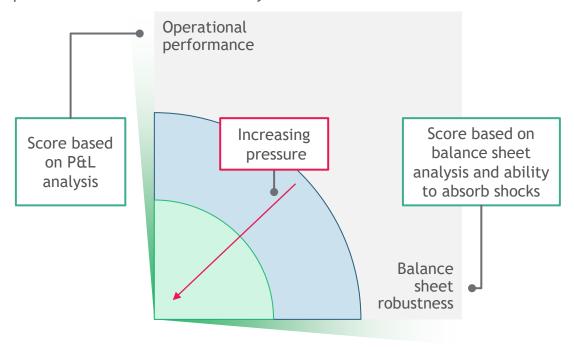
High public debt; midmarket economy driven by bank financing, tourism recovery

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# BCG Transform and Special Situations (TSS) Index identifies companies showing signs of weak operational performance and undercapitalization

# 1 Transformation and restructuring pressures by sector

Assessment of about 2,000 European public companies and analysis of 12 performance and financial stability KPIs



# 2 Forward-looking view

Assessment of sector dynamics based on AI-powered sentiment analysis and insights from sector experts



Al-powered sentiment analysis to synthesize insights from market and company documents (including earnings calls transcripts) and all publicly available materials



Targeted in-depth interviews with industry experts



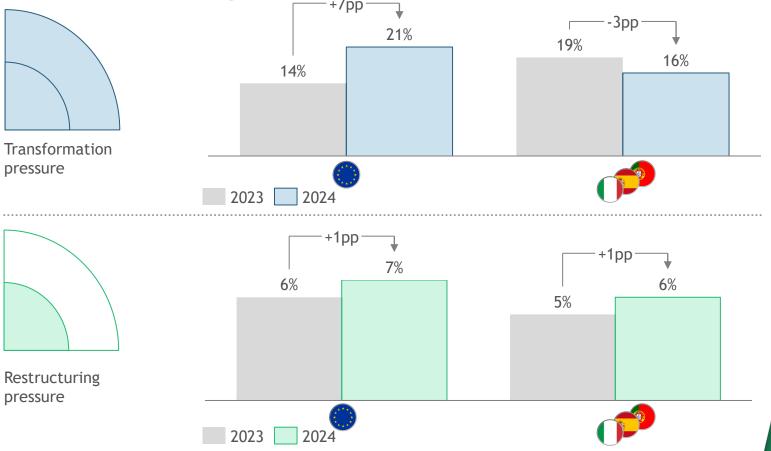
200+ European executives surveyed on their perspectives, priorities, and challenges for 2024

Transformation pressure Restructuring pressure

Note: Transformation pressure—initial signs of weakening operational performance and financial stability require optimization. Restructuring pressure—clear signs of weak or negative operational performance and undercapitalization require more structural steps to recover.

Source: BCG analysis.

In Southern Europe, restructuring pressure has increased in 2024 despite decline in overall transformation pressure



Note: The BCG Transform and Special Situations Index is based on share of revenue. Southern Europe comprises Italy, Spain, and Portugal.

Sources: S&P Capital IQ; BCG analysis.

About 1 in 6
companies face
significant
transformation
pressure in Southern
Europe

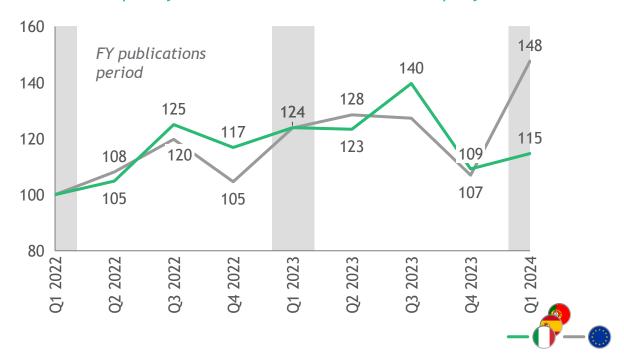
About 1 in 17 companies face significant restructuring pressure in Southern Europe

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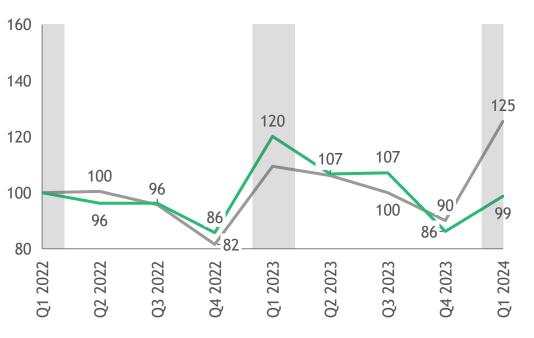
# AI-powered sentiment analysis shows transformation topics are currently gaining momentum while restructuring is being discussed on 2022 level

Development of transformation and restructuring citations in public company documents Q1 2022 through Q1 2024, index, base 100 = Q1 2022

## Relative frequency<sup>1</sup> of transformation-related company talks



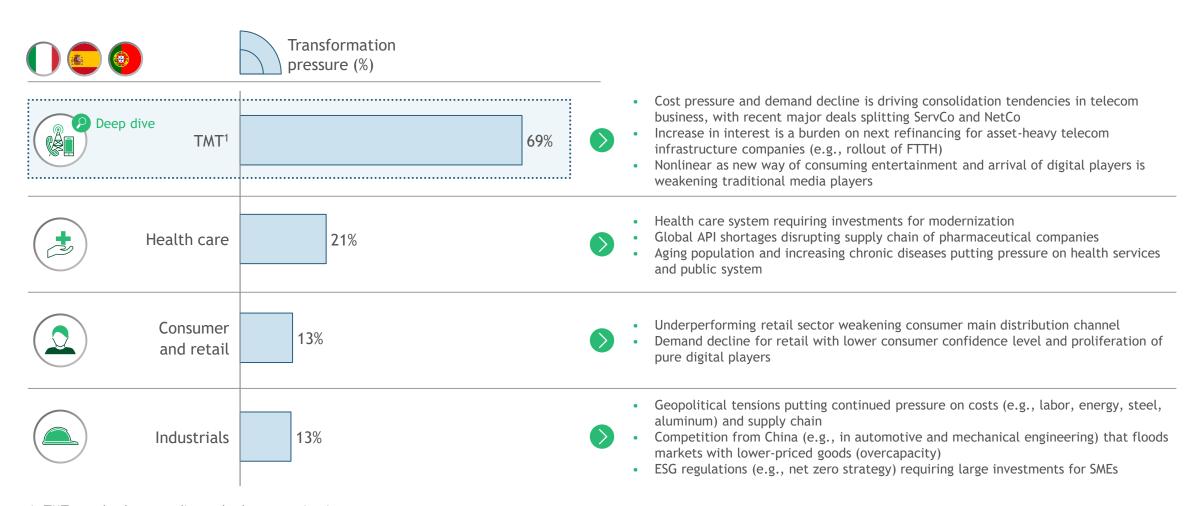
# Relative frequency<sup>1</sup> of restructuring-related company talks



<sup>1.</sup> Alphasense trend score (based to 100 for Q1 2022), calculated based on all publicly available documents (company documents, research documents, transcripts), smoothed quarterly data. Sources: AlphaSense; BCG analysis.

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# Transformation pressure on TMT is peaking, while pressure on health care and consumer and retail is expected to be strong



<sup>1.</sup> TMT = technology, media, and telecommunications. Note: Sectors with more than ten companies in scope. Source: S&P Capital IQ; BCG analysis.

# Key figures

69% ( vs. 18% in 2023

Restructuring pressure



**Transformation** pressure

# Restructuring and transformation topics<sup>2</sup>



# Top executive views

vs. 34% in

Worried about uncertain economic outlook

vs. 18% in

Worried about human capital and talent accessibility



vs. 10% in

Have margin enhancement as their top priority for 2024

# Key trends and challenges in Southern Europe

### Demand decline

Inflationary pressure on both households' and companies' expenses leading to decrease in media and telecom spending

Risk of commoditization of telecom business driving operators to look for differentiation (e.g., bundling content into unique offering with external partnerships)

Nonlinear consumption of media content inducing sectorial transformation with traditional players/broadcasters losing market share vs. digital players (e.g., GAFAM) and OTT

## Supply chain disruption

### Technological disruption Al and GenAl game-changing impact:

 Improvement of telecom network efficiency

Hyperpersonalization of content for marketing/advertising for media players

Continued expansion of connectivity, **5G-enabled use cases**—including autonomous vehicles—and 6G future rollout (from 2030)

Increased cybersecurity threats

### Cost pressure

Inflation pressure on high fixed cost base (e.g., energy costs for energy intensive telecom networks, labor costs)

Moving from revenue growth to cost avoidance leading to consolidation tendencies in media and telecom industries

### Debt/financing costs

Increase of interest rates (4.0% in Feb 2024 vs. -0.5% in Feb 2022) in conjunction with high capex requirements for network upgrades (e.g., fiber and 5G) or development (buying of frequencies) with unclear return on investment

Lack of attractiveness for investors leading to separation of telcos into NetCo and ServCo entities

### Regulatory pressure

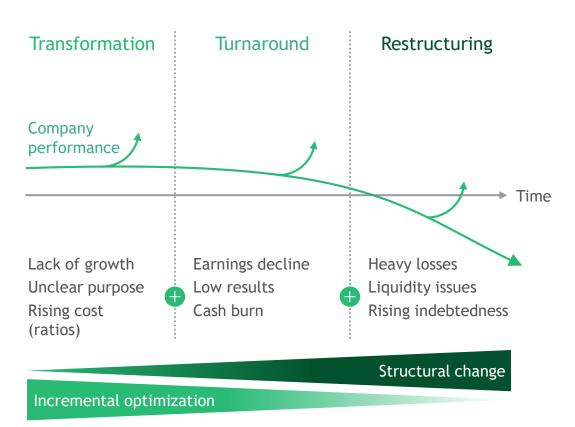
Intent of recent EU initiatives (e.g., Digital Markets Act) to limit the dominance of big tech and deter anticompetitive conduct

Enforcement of EU Gigabit Infrastructure Act, first step toward a single market for telecom industry to maintain EU competitiveness

1. TMT = technology, media, and telecommunications. 2. Relative frequency of restructuring and transformation topics via public citations. 3. Comparing Q1 2023 with Q1 2024.

Sources: S&P Capital IO: AlphaSense: BCG analysis and BCG expert views: BCG C-Suite survey 2024.

# BCG Transform assists companies for transformation, turnaround, and restructuring



# Typical transformation offering



## Full potential plan (FPP)

FPP development includes cost efficiency, NWC optimization, and CTO offering



## Execution support/ transformation office (TO)

Aligning, monitoring, and steering large-scale transformation programs

## Typical special situations offering



## Strategic options review

Evaluation of options afforded by local restructuring legislation and other statutes for maximizing residual going concerns



### Cash office

Establishing 13-week as well as midterm liquidity planning and actively managing cash

Your BCG special situations local experts to assist you along your journey



Lamberto Biscarini
Managing Director & Senior Partner
Milan



Giuseppe Farinacci

Partner & Director

Milan

Source: BCG.



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