# European non-financial listed groups: Analysis of 2018 data

ERICA (European Records of IFRS Consolidated Accounts) WG
European Committee of Central Balance Sheet Data Offices (ECCBSO)

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# EUROPEAN NON-FINANCIAL LISTED GROUPS: ANALYSIS OF 2018 DATA

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IMPORTANT INFORMATION ABOUT THE SOURCE USED (ERICA[1] DATABASE) AND ABOUT THE FIGURES BY COUNTRY

The data used in this study is obtained from publicly available financial statements of European non-financial listed groups, having been treated manually, by CBSO statisticians and accounting specialists, to be fitted on a standard European format (ERICA format). This manual treatment involves, in some cases, interpretation of the original data, a constraint that readers of this document should bear in mind.

The database does not represent the total population of European non-financial groups. Nevertheless, the coverage of listed European groups attained with ERICA (in the whole dataset of approximately 1,000 groups) is well-attuned to the situation and national composition of the stock markets. The analyses performed in this document, with the proviso expressed in the previous paragraph, provide a view of the position and performance of listed non-financial European groups. However, the analysis includes some commentaries on the performance of listed European groups according to the country where the parent company is based. The largest ERICA groups are multinationals, whereby the following has to be borne in mind: the performance of the groups belonging to any given country does not necessarily reflect the performance of the country itself.

The opinions of the authors of this document do not necessarily reflect those of the national central banks to which they belong or those of the ECCBSO.

All the graphs and tables presented in the document are from the same source (ECCBSO-ERICA database).

[1] ERICA (European Records of IFRS Consolidated Accounts) is a database of the European Committee of Central Balance Sheet Data Offices.

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# I. EUROPEAN NON-FINANCIAL LISTED GROUPS: INTRODUCTION AND MAIN FINDINGS FROM 2018 DATA

This document presents the results of the analysis carried out by members of the ECCBSO's ERICA WG of the information available in the ERICA 2018 database (close to 1,000 listed non-financial groups, with a total of approximately € 7,700 billion in assets and € 4,500 billion in revenue), with the most relevant facts for the year 2018, regarding the profitability and financial structure of European listed non-financial groups, as well as the financial debt structure and cost of debt. For the 2017 and 2018 accounting periods, the ERICA database also includes data from Turkish non-financial listed groups. As a result, analysis that is limited to this two-year period does take into account the new Turkish data[2]. For five-year period time series, however, the information available is not sufficient and Turkish data had to be excluded. This document is supplemented by other documents, known as "the ERICA series", which provide deeper analysis of consolidated groups on a variety of themes (including cash flow statement analysis, hierarchical clustering and goodwill), some of which are currently under development.

This report uses three different samples[3]:

- A *static* sample: This sample includes all groups for which data is collected in ERICA for the year 2018. The static sample consists of 971 groups.
- A *sliding* sample: This sample is obtained by selecting all groups for which data is collected in ERICA for both 2017 and 2018. The sliding sample encompasses 839 groups. Groups that underwent a change in sector or size are excluded from the sliding sample.
- A *fixed* sample: This sample only takes into account those groups for which data is collected in ERICA for each year over the 2014-2018 period. The fixed sample captures 672 groups.

Each sample is compiled by country and by sector, depending on the type of analysis. In samples by country, all country doubles (i.e. subsidiary groups of a higher-level group allocated to the same country) have been removed. In samples by sector, all sector doubles (i.e. subsidiary groups of a higher-level group allocated to the same sector) have been removed. Moreover, the static and sliding samples, which are made up of size classes, are adjusted by eliminating global doubles (i.e. subsidiary groups of a higher-level group that is also included in the sample)[4]. For all conclusions derived from the total data, the same strictures (i.e. elimination of global doubles) apply. Therefore, the total data generally differ – in aggregates or numbers – from the sum of their components (i.e. countries, sectors or sizes).

Considering the major impact of some large groups, weighted average figures by country or sector are often biased. For that reason, the analysis in this document mainly focuses on the median values of ratios. These median values are regarded as more accurately representing the behaviour of the majority of the population, unaffected by the weight of the largest groups. Nevertheless, in-depth analysis reveals that median figures may also be strongly influenced by a single group or just a few groups. In these cases, it is not the largest, but the median groups that determine changes in the median ratios.

The main findings of the study using 2018 data are:

1 **The positive trend in operating results and profitability ended in 2018.**

The positive trend as reported by European listed groups in previous years has come to a stop. While aggregate revenue rose at a lower rate, i.e. 2.6%, the figures for 2018 revealed a decline in aggregated EBIT and profit before tax of about -4% and -5.3% respectively. All these variables, in particular EBIT and profit before tax, have again been influenced significantly by large energy groups

2 Except for the cost of debt analysis, due to the unavailability of interest expenses data.

3 Figures refer to the global samples.

4 All country doubles are by definition global doubles as well.

and outliers. Excluding these, the adjusted figures showed only minor changes as – across all countries – those effects balanced out broadly equally in both directions. However, considerable effects on some individual countries were apparent. Almost all profitability measurements analysed in this document – the EBIT margin, the EBITDA-to-assets ratio and return on equity – showed a decrease in 2018, both in aggregate and median terms. In the (smaller) fixed sample covering the last five years, the total EBIT margin shrank – after an all-time high in 2017 – mainly driven by the decline in EBIT in the most important sectors, i.e. industry and services. The country comparison of the median EBIT margin reveals shrinkage in every country except Turkey, Spain and Portugal. Turkish groups were the most profitable of all ERICA countries. However, this has to be seen in the context of a bias due to the selection of top Turkish companies. German groups showed notable decreases in all profitability ratios, which reflects the wide impact of the challenging environment on German listed groups.

**2 Solvency improves again in 2018, but indebtedness rises slightly as well**

Total equity grew again in 2018, but at a slower pace than the previous year. The increase in equity was mainly led by the German automotive industry and the overall profits, although lower than in 2017, that boosted retained earnings, which was particularly marked at a French energy group. The upward trend in the median equity ratio continued in 2018, to a large extent driven by the Greek and Belgian groups and by the industrial sectors. Italian, Spanish and Portuguese groups saw the rise in their median equity ratio slow to a minimum, after significant improvements in previous years.

Despite a moderate decrease in financial debt, European non-financial listed groups posted a slightly higher level of median net indebtedness in 2018. This rise was most pronounced among Turkish and Italian groups and in the industry sector. Between 2014 and 2018, the median share of financial debt in total assets fluctuated around 26%, showing large dispersions between sectors. Values are highest in the real estate, energy and construction sectors (over 35%) and lowest in the machinery and equipment sector (under 17%).

**3 Stable financial debt structure, but the downward trend in the cost of financial debt slowed in 2018.**

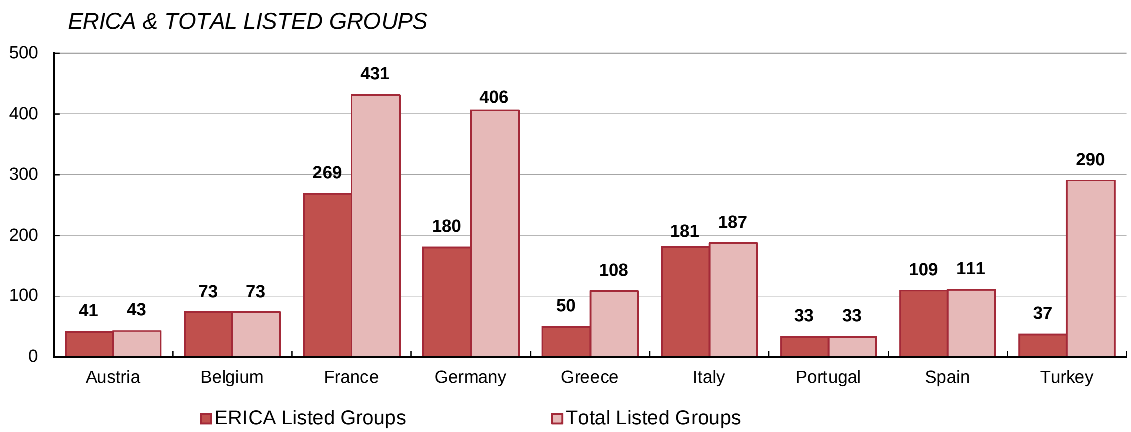
The financial debt structure of European non-financial listed groups remains fairly stable. In terms of the number of groups, borrowing from financial institutions is the most common way for groups to access external funds. Financing through bonds seems more common among Portuguese groups and groups from the energy and construction sectors. Looking at the actual amounts raised, financial market funding via bonds remains the main source of debt, except at Austrian and Greek groups.

Between 2014 and 2018, the median cost of debt fell significantly, but the pace of the decline slowed in 2018. German groups experienced the strongest decrease. Nevertheless, the median cost of debt remains lowest among French groups and highest among Greek groups. In general, the downward trend can be observed in all sectors and size classes: but nevertheless, half of the branches of activity reported an increase in their median cost of debt in 2018.

## II. ERICA DATABASE: COVERAGE AND MAIN FIGURES

The coverage of the ERICA database in absolute terms includes a number of listed groups studied for 2018, ranging from 33 real cases in Portugal and 37 in Turkey to 181 in Italy and 269 in France.

**CHART 1 LISTED GROUPS BY COUNTRY IN 2018 (absolute number)**

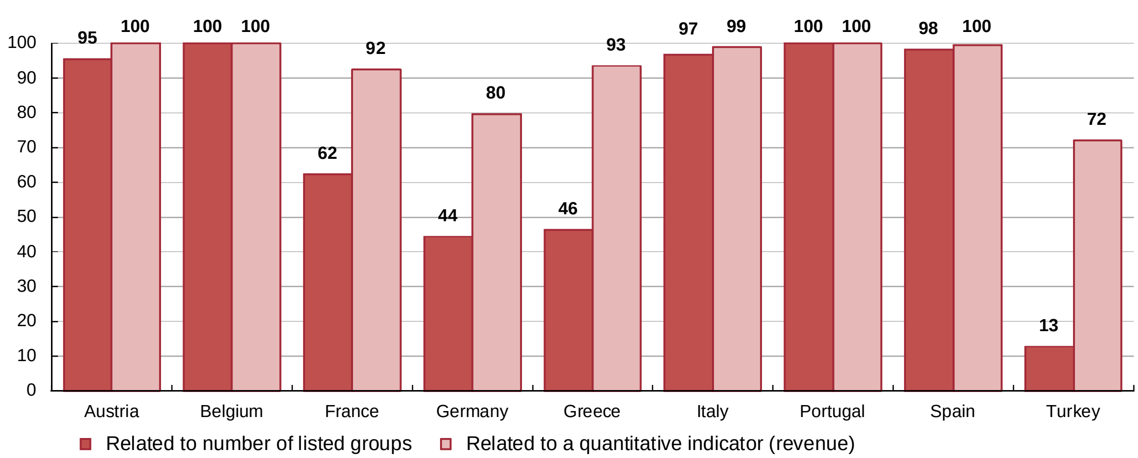



Source: ERICA 2018 static sample and national databases.

The ERICA database's coverage in terms of a quantitative indicator (revenue) in Chart 2 shows that it is highly representative of the total population of listed European non-financial groups. Coverage is high for all countries[5], varying from 72% in Turkey and 80% in Germany to 100% in Austria, Belgium, Portugal and Spain.

In relative terms, comparing the number of ERICA cases with the total population of listed groups, the coverage rate varies from 13% in Turkey 44% in Germany to 100% in Portugal and Belgium.

**CHART 2 DATABASE COVERAGE IN 2018 (in % and in relation to listed groups)**

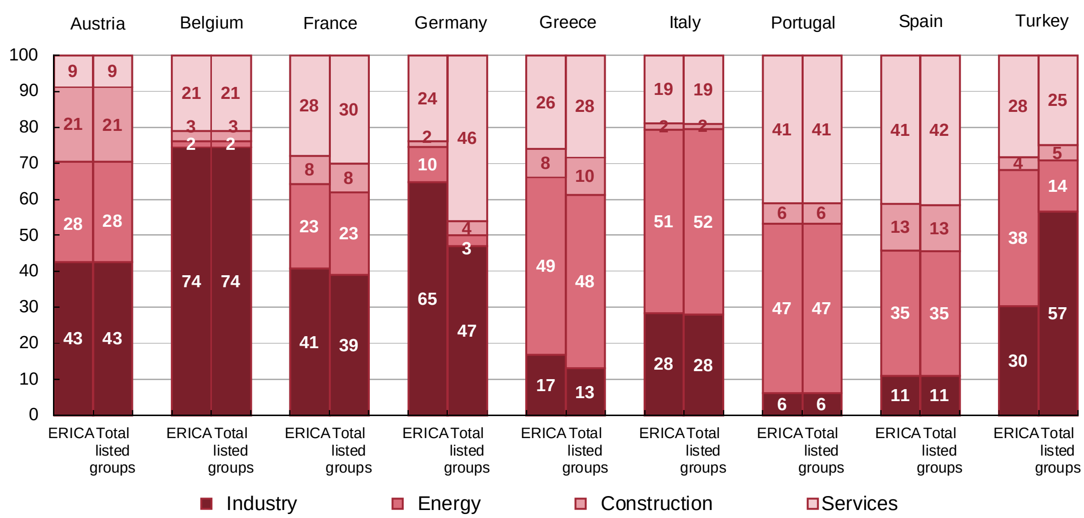



Source: ERICA 2018 static sample and national databases.

[5] First year in which Turkish consolidated data is available.

The sectoral breakdown of listed European groups in the ERICA dataset differs greatly from country to country. Both sample and population are mostly aligned as regards sectoral distribution in every country except Germany and Turkey, where the industry sector and the energy sector respectively are over-represented in the sample compared to total non-financial listed groups. In terms of revenue, industry is especially significant in Belgium and Germany, while the energy sector has especially high weight in Italy and Greece and the construction sector accounts for a large slice of the market in Austria and Spain. Lastly, the services sector is important in almost all countries, but especially relevant among Portuguese and Spanish ERICA listed groups.

**CHART 3 STRUCTURE BY COUNTRY AND SECTOR IN 2018 (in % of revenue)**




Source: ERICA 2018 static sample and national databases.

## III. PROFITABILITY: BREAK IN POSITIVE TREND IS DRIVEN BY INDUSTRY AND SERVICES

Profitability, along with the financial structure and cost of debt analysis set out in this document, is based on financial data for 2018, available in the ERICA database for non-financial European groups listed on a European stock exchange. Three different samples are used, as explained in the introduction. Within or between countries and sectors, partitions of groups (such as parent companies and subsidiaries) may feature independently. The way in which samples are composed differs, depending on the purpose of the analysis.

**TABLE 1 ERICA: OVERVIEW OF AGGREGATE PROFITABILITY VARIABLES IN 2018**

| In € billion | Number | Total assets | EBIT | EBITDA | P/(L) before tax | Revenue |
|---|---|---|---|---|---|---|
| **By country** | | | | | | |
| Austria | 41 | 144.89 | 8.71 | 15.63 | 8.77 | 100.02 |
| Belgium | 73 | 335.12 | 21.92 | 32.60 | 13.22 | 148.27 |
| France | 269 | 2,677.42 | 141.03 | 239.33 | 124.39 | 1,583.85 |
| Germany | 180 | 2,640.34 | 124.59 | 254.07 | 125.05 | 1,692.93 |
| Greece | 50 | 62.66 | 2.84 | 5.63 | 2.00 | 49.48 |
| Italy | 181 | 901.64 | 34.81 | 71.74 | 33.37 | 363.13 |
| Portugal | 33 | 97.46 | 5.23 | 9.81 | 4.75 | 69.12 |
| Spain | 110 | 726.13 | 37.06 | 77.16 | 30.49 | 410.91 |
| Turkey | 37 | 131.28 | 13.80 | 18.11 | 10.93 | 116.04 |
| **Total** | **974** | **7,716.92** | **390.00** | **724.09** | **352.95** | **4,533.73** |
| **By sector** | | | | | | |
| 1. Industry | 427 | 3,423.98 | 192.71 | 338.64 | 182.72 | 2,087.83 |
| 2. Energy | 66 | 1,825.84 | 76.64 | 158.71 | 64.25 | 995.00 |
| 3. Construction | 49 | 316.93 | 13.89 | 23.97 | 12.78 | 223.42 |
| 4. Services | 429 | 2,126.37 | 105.39 | 199.88 | 91.80 | 1,196.25 |
| **Total** | **971** | **7,693.13** | **388.63** | **721.20** | **351.55** | **4,502.50** |
| **By size (revenue)** | | | | | | |
| 1. Small groups (<250mn) | 371 | 136.29 | 4.20 | 7.09 | 7.25 | 34.81 |
| 2. Medium (250mn -1.5bn) | 293 | 431.44 | 29.86 | 44.57 | 24.84 | 206.47 |
| 3. Large groups (>1.5bn) | 307 | 7,127.66 | 354.84 | 669.95 | 319.71 | 4,262.78 |
| **Total** | **971** | **7,695.40** | **388.90** | **721.61** | **351.80** | **4,504.05** |

Source: ERICA 2018 static sample.
Note: The number of firms by country and by sector or by size differs: some double-counted groups belong to different countries but are in the same sector. Main figures for 2018 (filter used to avoid double-counting in each sector, size and country counting), with data in € billion.

Chapter II shows how highly representative the ERICA database is for non-financial listed groups. Table 1 gives a breakdown of the 2018 static sample by country, sector and size. It reveals the high proportion of French and German groups in ERICA (as is the case in the total population): 46% in terms of the number of groups and between 69% and 72% in terms of the other quantitative indicator (revenue). Regarding size, of all variables analysed in this chapter (assets, revenue, EBIT, EBITDA, profit/loss) between 91% and 95% are reported by the large groups (those with revenue of over € 1.5 billion). If we consider the main activity of the groups, the weight of the industrial groups is 44% in terms of total assets, rising to 52% for profit/loss before tax. The second-biggest sector of activity for all variables is services (around 27%). Taken together, the services and industry sectors account for 87% of the number of groups analysed. For the first time, a sample of Turkish listed companies is also captured in the analyses.

### *III.1 EBIT AND PROFIT BEFORE TAX: DOWNWARDS EVOLUTION AFTER FOUR YEARS OF GROWTH*

After four years in a row of steadily increasing aggregated figures for EBIT, the 2018 data on European listed groups showed a 4% decline. The energy sector, which has provided an additional boost in recent years, grew further but to a much lesser extent. However, there was a bias in several country samples due to the weight of this sector in the respective country data sets (sectoral breakdown shown in Chart 3). The sample of large groups was affected accordingly. Table 2 presents both the total evolution of the group samples and the adjusted values, excluding the impact of large energy groups and outliers.

**TABLE 2 RATE OF CHANGE IN 2017-2018 (in %)**

| | *EBIT* | EBIT adjusted* | *P/(L) before tax* | P/(L) adjusted* | *Revenue* | Revenue adjusted* | *Total assets* |
|---|---|---|---|---|---|---|---|
| **By country** | | | | | | | |
| Austria | *25.4* | -0.6 | *23.6* | -0.3 | *6.5* | 5.3 | *7.8* |
| Belgium | *0.4* | -10.4 | *-14.5* | -10.1 | *5.0* | 5.8 | *3.0* |
| France | *2.6* | -0.2 | *1.0* | -1.6 | *5.1* | 4.0 | *7.5* |
| Germany | *-14.1* | -11.4 | *-10.8* | -6.8 | *-1.5* | 0.8 | *10.1* |
| Greece | *-21.3* | -3.6 | *-20.3* | 5.3 | *12.5* | 12.2 | *-2.4* |
| Italy | *-0.7* | -2.4 | *8.4* | 7.0 | *4.8* | 2.3 | *6.5* |
| Portugal | *4.0* | 4.1 | *2.6* | 9.8 | *3.8* | 2.9 | *2.0* |
| Spain | *-4.4* | -1.7 | *-21.1* | 4.0 | *4.1* | 1.1 | *-0.1* |
| Turkey | *12.9* | 20.5 | *2.2* | 15.3 | *5.1* | 0.8 | *-1.4* |
| **Total** | ***-3.8*** | | ***-5.3*** | | ***2.6*** | | ***6.9*** |
| **By sector** | | | | | | | |
| 1. Industry | *-6.5* | | *-6.6* | | *2.5* | | *8.8* |
| 2. Energy | *3.1* | | *-1.2* | | *3.7* | | *3.4* |
| 3. Construction | *5.8* | | *9.4* | | *7.6* | | *0.5* |
| 4. Services | *-5.5* | | *-8.4* | | *0.9* | | *8.8* |
| **Total** | ***-4.0*** | | ***-5.6*** | | ***2.6*** | | ***7.1*** |
| **By size (revenue)** | | | | | | | |
| 1. Small groups (<250mln) | *3.6* | | *0.4* | | *5.1* | | *6.0* |
| 2. Medium (250mln-1,5bn) | *3.4* | 1.7 | *-21.0* | 4.3 | *4.7* | 4.7 | *6.4* |
| 3. Large groups (>1,5bn) | *-4.6* | -6.5 | *-4.5* | -5.4 | *2.3* | 1.9 | *6.9* |
| **Total** | ***-4.0*** | | ***-5.6*** | | ***2.5*** | | ***6.8*** |
| **Total adjusted*** | | **-5.3** | | **-6.3** | | **2.2** | |

Source: ERICA 2018 sliding sample.
* excluding large energy groups from all samples and additionally excluding outliers in country samples and medium-sized groups.

Adjusted figures for 2018 (excluding large energy groups and outliers) show a 5.3% decrease in aggregated EBIT. While the industry sector and the services sector recorded double-digit growth rates in 2017, the positive trend in these sectors reversed in 2018 weighing down the aggregated total. However, the construction sector achieved a sizeable increase in EBIT and an even more pronounced rise in profit before tax.

Regarding group size, the small and medium-sized groups posted increases of around 3%, whereas the large groups saw a 4.6% downturn in EBIT, slipping further to -6.5% on adjusted EBIT.
The aggregated EBIT figures of some countries in which energy groups have a large share of their sliding sample were strongly influenced by this sector. Depending on the determining factors, the effect on the country samples was either positive or negative.
A strongly positive impact was exerted on the samples from Austria and Italy, whereas the impact was negative on the samples from Greece, Spain, Turkey and Germany. In the case of Austria, EBIT fell from 25.4% to -8.3% if we exclude the positive effect of one large oil and gas company. However, this decline was mainly caused by one large industry group, impacted by blast furnace repairs, provisions and start-up costs at a US automotive component pant. Excluding this outlier, EBIT from the Austrian sample posted a small-scale decrease of 0.6%.
The positive impact of the large energy groups on the Italian sample is striking, as the rate of change in EBIT works out at almost -26% excluding the contribution of these groups, but is balanced out by an outlier within the services sector (this group suffered a dramatic fall in EBIT due to a high goodwill impairment loss attributed to the core domestic unit and international wholesale), leading to a decrease of 2.4% in total adjusted EBIT.

The strongest negative impact of large energy groups on EBIT is seen in the Greek sample, caused by a large electric power company. A decline in turnover, higher expenditure related to CO2 emissions, plus also a notably higher net impact from auctions intended to reduce this group's 95% market share, led to a massive loss. The EBIT rate of change turns from -21.3% into +5.3% when taking out this effect, although this gain is due to one large telecommunications group. If this large group is excluded as an outlier, the surplus turns again into a minus of 3.6%.
The German sample was influenced to a lesser extent by developments in the energy sector, most affected by one group which showed a drastic fall in EBIT related to power plant shutdowns, lower margins for hard coal and gas, and impairments on the UK retail unit. Nevertheless, the drop in adjusted EBIT still worked out at 11.4%. The major contribution to this negative EBIT development came from the German industry sector (the automotive, pharmaceutical, and sugar industries) which suffered from the US-China trade war, the uncertainty over Brexit and a sharp decline in car industry output. In addition, low water levels on the river Rhine, one of the busiest inland waterways, pushed up freight rates and caused serious supply bottlenecks and production problems. This adverse development is also shown in the evolution of median EBIT, which was largely unaffected by the weight of large groups, thus confirming the far-reaching impact of the challenging environment on German listed groups.

To sum up, in 2018 only two of the nine countries covered in the ERICA sample, namely Portugal and Turkey, managed to post rising EBIT when adjusted to exclude large energy groups and outliers. However, the outstanding evolution shown by the Turkish groups was positively influenced by the sample selection itself. The coverage of the Turkish sample is lower than for the other countries (see Charts 1 and 2) and the selection is biased in favour of the most profitable groups. The industry and services sectors, both of which had boosted the overall evolution of EBIT in recent years, showed sizeable decreases in 2018, thus weighing down many of the country samples, Germany in particular.

Aggregated profit before tax showed a downward evolution similar to that of EBIT. The aggregated total declined by 5.6% and by 6.3% with adjusted values. There is a considerable difference between the unadjusted and adjusted values for some country samples (related once again to large energy groups and outliers mentioned for EBIT) and also for the sample of medium-sized groups. The outlier in the Spanish sample refers to a medium-sized group in the services sector, which also creates a bias in the medium-sized groups sample. The group in question posted an extraordinary increase in financial

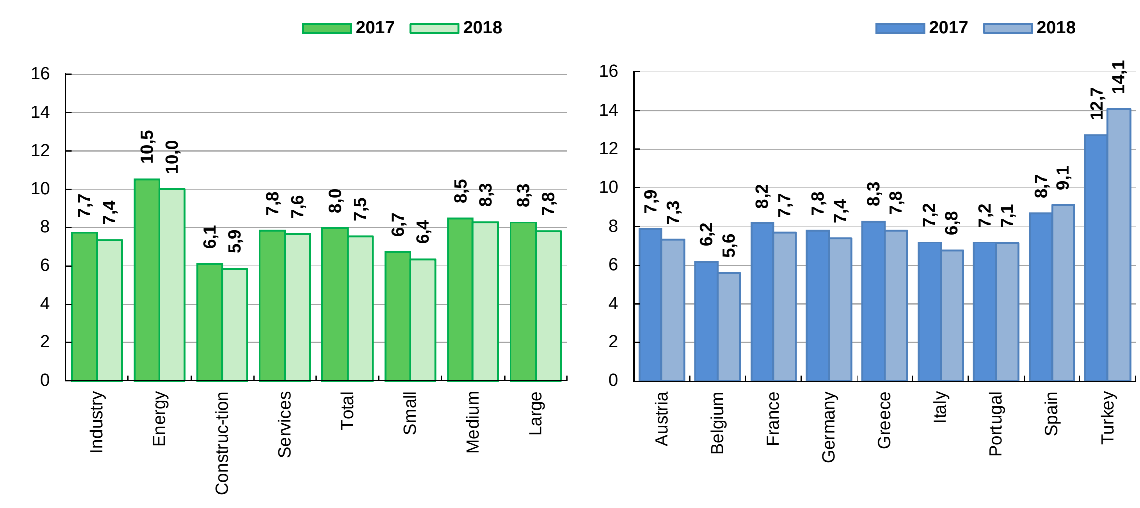
income in 2017, due to debt restructuring and write-offs; consequently, adjusted profits fell dramatically in 2018. When excluding this outlier, Spain's evolution in profit before tax works out at 4% and at 4.3% for the sample of medium-sized groups.
In the Belgian sample, the fall in profit before tax (-14.5%) can be partly traced back to one sample-dominating brewing group. While this group's EBIT remained stable, the financial result fell sharply due to losses arising from financial instruments. Excluding this group still reveals a drop of 10.1% in adjusted profits. The reasons for the growth slowdown in 2018 are mainly international. In particular, the weaker trade environment and more expensive oil put a considerable strain on the results of Belgian groups.

In 2018, the aggregated revenue of European listed groups was up by 2.5%, the large energy groups having no notable impact on the aggregated evolution or country samples. Viewed against the growth posted in 2017 (5.7%), this figure underlines the decelerating momentum of European listed groups in 2018.

## *III.2 EBIT MARGIN: SHRINKING MARGINS FOR ALL SECTORS AND COUNTRY SAMPLES*

The profitability analysis is based on the EBIT margin, measured as EBIT/revenue.
The total EBIT margin decreased by 0.5 pp in median terms to 7.5% in 2018. All sectors and every size group recorded at least a slight decrease in 2018, with the energy sector in the lead (-0.5 pp), followed by the industry sector (- 0.3 pp). On a size comparison, the highest margin was achieved, as in 2017, by medium-sized groups. Only the group samples for Spain and Turkey posted increased margins. Turkish groups achieved the highest growth rate in terms of EBIT margin, up by 1.4 pp to 14.1%. Spanish groups followed, gaining 0.4 pp to reach 9.1%, the second-highest margin on a country comparison. All other countries saw declining EBIT margins.

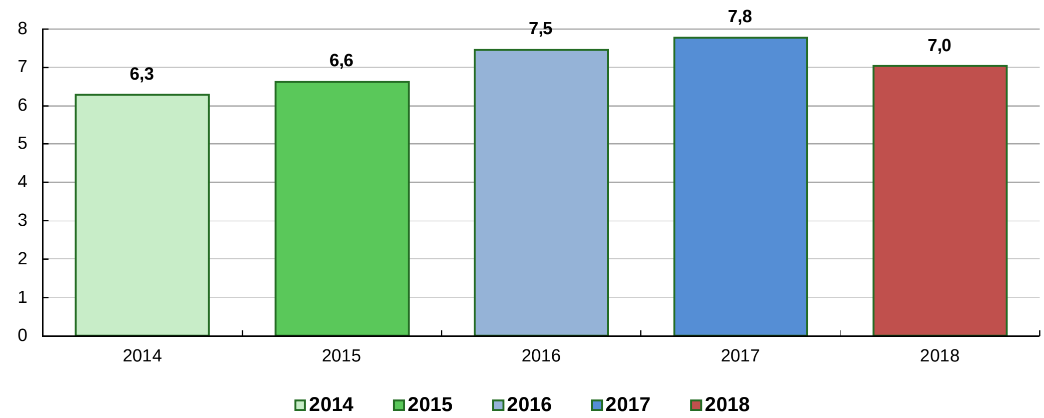
**CHART 4 MEDIAN EBIT MARGIN – EBIT / REVENUE 2017-2018 (in %)**




Source: ERICA 2018 sliding sample.

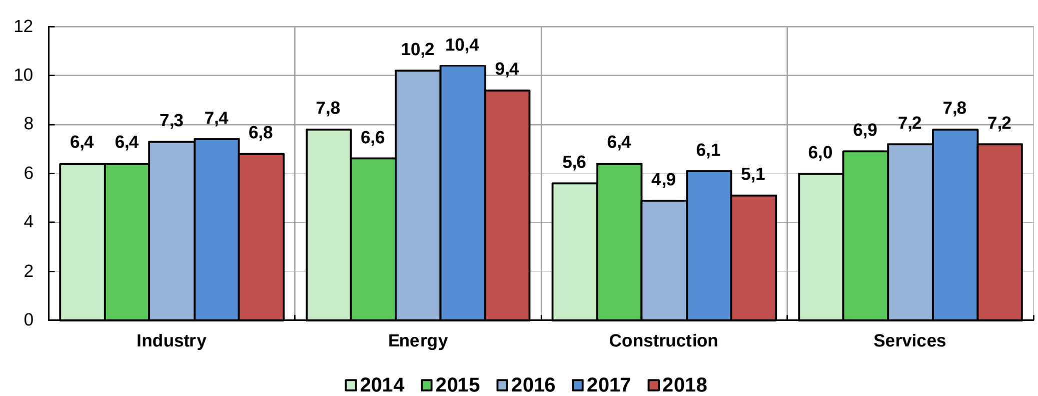
On a time-scale covering the last five years for a (smaller) fixed sample of groups, the 2018 median margin shrank – after an all-time high in 2017 – by 0.8 pp to 7.0% and thus slipped below the 2016 margin (see Chart 5). This development was mainly driven by the decline in EBIT in the most important sectors, i.e. industry and services. However, the energy and construction sectors also showed lower ratios in 2018, due to sub-proportional growth in EBIT compared with revenue growth. On a sector comparison, the energy sector still achieved the highest margin (9.4%), while the construction sector posted the lowest margin at 5.1% (see Chart 6).

**CHART 5 MEDIAN EBIT MARGIN – EBIT / REVENUE 2014-2018 (in %)**




Source: ERICA 2018 fixed sample.

**CHART 6 MEDIAN EBIT MARGIN PER SECTOR 2014-2018 (in %)**

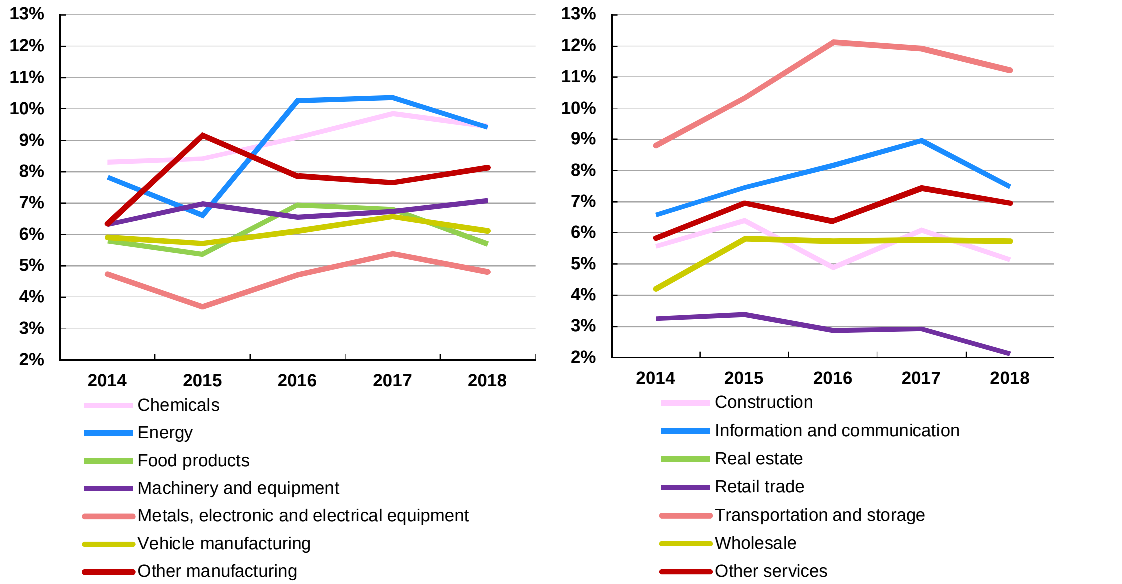



Source: ERICA 2017 fixed sample.

Analysing the sectors according to branches of activity[6] reveals a drop in almost all branches. Within the industry sector in particular, the subsectors vehicle manufacturing, metals, electronic and electrical equipment, chemicals and – most pronounced of all – food products (-1.1 pp) suffered a decline in their EBIT margin in 2018. In the services sector, all subsectors showed a downward evolution, most of all information and communication (-1.5 pp) and retail trade (-8 pp). However, the real estate subsector remained quite stable, with an EBIT margin of 71% (not shown in Chart 7).

[6] A definition of the different branches of activity is provided in Annex A.

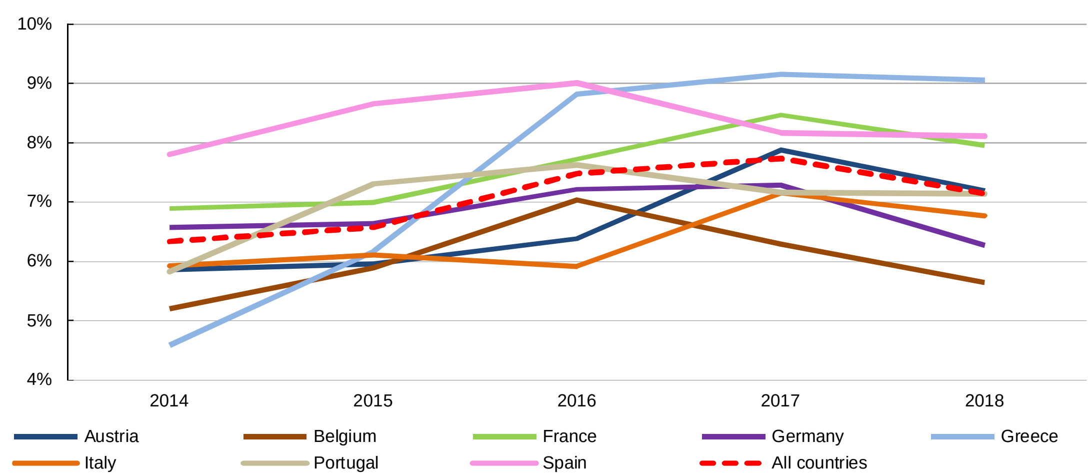
**CHART 7 MEDIAN EBIT MARGIN PER BRANCH OF ACTIVITY 2014-2018**




Source: ERICA 2018 fixed samples.

The time series at country level reveals the downward trend in 2018 for all countries, most pronounced among German listed groups which saw their EBIT margin shrink by 1 pp to 6.3% on a fixed sample. In the samples from Belgium, Portugal and Spain, the decline showed up earlier, in 2017. Consequently, Portuguese and Spanish groups remained almost stable in 2018, whereas the Belgian groups posted another sizeable decrease in 2018. The most striking evolution was shown by Greek companies, which started with the lowest margin in 2014 (4.6%), recovered with rising growth rates in the following two years, and maintained a constant margin of 9% in 2017 and 2018, the highest value in the country comparison.

**CHART 8 MEDIAN EBIT MARGIN PER COUNTRY 2014-2018**




Source: ERICA 2018 fixed sample.

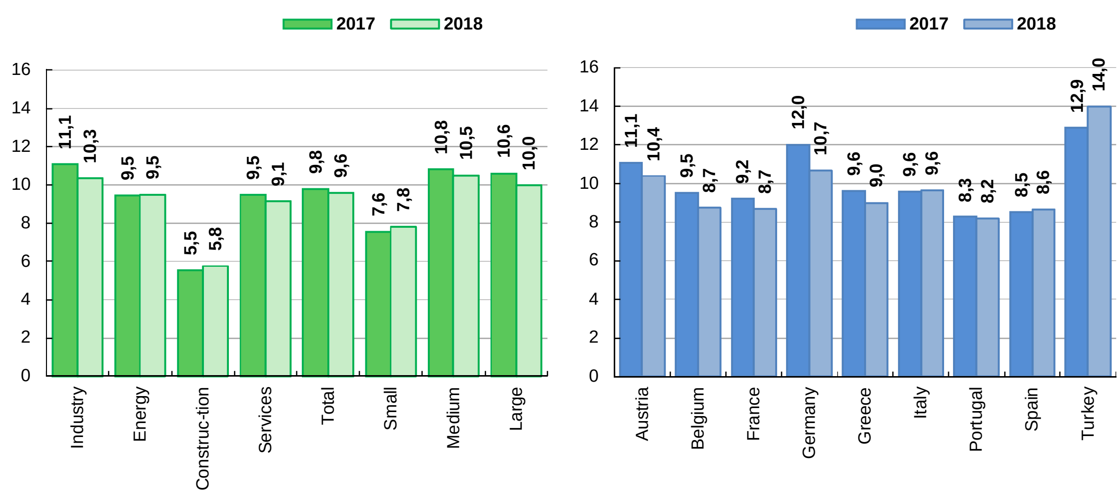
### III.3 EBITDA: SLIGHT DECREASE DRIVEN BY INDUSTRY SECTOR

EBITDA is an approximate measure of a company's operating cash flow, calculated by looking at earnings before interest, taxes, depreciation and amortisation.

The aggregate EBITDA of listed European groups showed a slight increase (1.4%) in 2018. The strongest contribution to aggregated EBITDA came from the construction and energy sectors (4.9% and 3.6% respectively) while the services and industry sectors achieved only moderate growth.

Chart 9 illustrates the ratio of EBITDA to assets. The median EBITDA-to-assets ratio decreased by 0.2 pp to 9.6%, with the industry (-0.8 pp) and services (-0.4 pp) sectors suffering the sharpest decline in growth rates. The construction sector showed a moderate increase (+0.3 pp) in 2018 but once again posted the lowest ratio on a sector comparison.

**CHART 9 MEDIAN EBITDA TO ASSETS RATIO 2017-2018 (in %)**



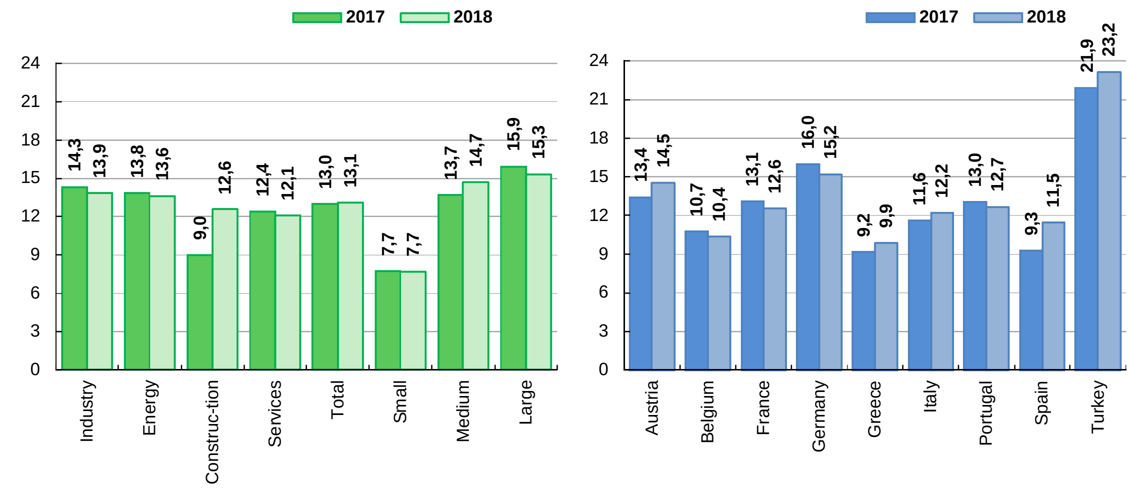

Source: ERICA 2018 sliding sample.

The country breakdown shows a notable decrease for the German (-1.3 pp) and Austrian (-0.7 pp) samples. Meanwhile Turkish groups posted a sizeable rise of 1.1 pp to achieve the highest median EBITDA-to-assets ratio (14%), followed by German and Austrian groups with 10.7% and 10.4% respectively. Portuguese samples, showing fairly stable development (8.2%), remained at the bottom of the rankings.

### III.4 ROE: RISING RETURNS IN CONSTRUCTION OFFSET DECREASE IN ALL OTHER SECTORS

Looking at pre-tax profit in relation to equity, the median return-on-equity ratio posted by European listed groups in 2018 worked out at 13.1%, a marginal 0.1 pp improvement on the previous year. While construction sector ROE rose considerably (by 3.6%), all other sectors showed slight reductions. On a size comparison, small groups show the lowest values on all profitability measures. In fact, their distance from the medium-sized and large groups as regards return on equity is strikingly high.

**CHART 10 MEDIAN RETURN ON EQUITY: PROFIT (LOSS) BEFORE TAX / EQUITY 2017-2018 (in %)**




Source: ERICA 2018 sliding sample.

The country breakdown reveals a downward trend for the Belgian, French, German and Portuguese samples in median terms. All other country samples show an increase. Starting out from the top of the list, Spanish groups were able to grow at the highest rate of all country groups (+2.2 pp) to reach 11.5%. Turkish groups followed, achieving a growth rate of 1.3 pp to reach 23.2%, the highest ratio in the country comparisons.

# IV. FINANCIAL POSITION SLIGHTLY IMPROVED OVERALL, BUT DIFFERENTIATED BY COUNTRY, SIZE AND SECTOR

The ERICA dataset provides information on listed corporate groups in continental Europe. For the year 2018, the database covers almost 1,000 groups, thus providing a highly relevant assessment of the non-financial sector in continental Europe. Based on data for non-financial enterprise groups with assets worth approximately € 7.7 billion, this chapter provides an analysis of the key financial structure items. As the 307 largest groups account for more than 93% of total assets in 2018, they dominate the aggregate figures.

**TABLE 3 OVERVIEW OF AGGREGATED FINANCIAL STRUCTURE POSITIONS IN 2018**

| In € billion | Number | Total Assets | Financial Debts | Cash & cash equivalents | Equity |
|---|---|---|---|---|---|
| **By country** | | | | | |
| Austria | 41 | 144.89 | 32.89 | 12.44 | 60.78 |
| Belgium | 73 | 335.12 | 136.26 | 19.18 | 113.21 |
| France | 269 | 2,677.42 | 690.93 | 233.79 | 976.06 |
| Germany | 180 | 2,640.34 | 840.81 | 166.96 | 856.86 |
| Greece | 50 | 62.66 | 20.28 | 7.14 | 22.02 |
| Italy | 181 | 901.64 | 313.10 | 57.33 | 240.48 |
| Portugal | 33 | 97.46 | 35.32 | 6.32 | 31.59 |
| Spain | 110 | 726.13 | 255.63 | 59.71 | 238.86 |
| Turkey | 37 | 131.28 | 47.11 | 19.84 | 52.72 |
| **Total** | **974** | **7,716.92** | **2,372.33** | **582.72** | **2,592.58** |
| **By sector** | | | | | |
| 1. Industry | 427 | 3,423.98 | 1,059.43 | 271.77 | 1,249.00 |
| 2. Energy | 66 | 1,825.84 | 479.30 | 111.35 | 568.18 |
| 3. Construction | 49 | 316.93 | 99.04 | 38.23 | 83.31 |
| 4. Services | 429 | 2,126.37 | 735.64 | 156.82 | 686.13 |
| **Total** | **971** | **7,693.13** | **2,373.40** | **578.19** | **2,586.62** |
| **By size (revenue)** | | | | | |
| 1. Small groups (<250mln) | 371 | 136.29 | 30.76 | 11.82 | 86.82 |
| 2. Medium (250mln-1,5bn) | 293 | 431.44 | 154.68 | 41.08 | 178.40 |
| 3. Large groups (>1,5bn) | 307 | 7,127.66 | 2,182.36 | 525.32 | 2,322.44 |
| **Total** | **971** | **7,695.40** | **2,367.80** | **578.22** | **2,587.66** |

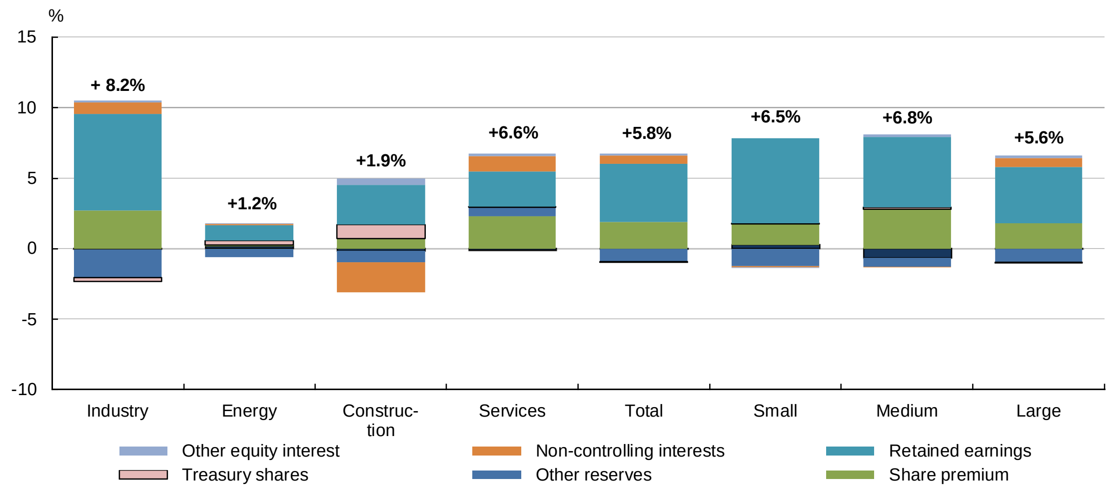
Source: ERICA 2018 static sample.
Note: The number of firms by country and by sector or by size differs: some double-counted groups are in different countries but belong to the same sector. Main figures for 2018 (filter used to avoid double-counting in each sector, size and country), with data in € billion.

## *IV.1 BROAD EQUITY GROWTH*

**Moderate rise in equity in 2018: retained earnings the main driver**

Chart 11 gives an overview of changes in equity in 2018. For the various sectors and size classes, the growth contributions of seven classes of equity are presented.

**CHART 11 CONTRIBUTIONS TO EQUITY GROWTH IN TOTAL, BY SECTOR AND BY SIZE IN 2018**




Source: ERICA 2018 sliding sample.

Despite lower profitability margins, persistent high growth of retained earnings is visible in 2018, which was the main driver of equity growth in 2018. However, equity grew less compared to last year but also in comparison with total assets (total assets +6.9 %). The growth in equity declined by 0.8 pp as compared with the previous year. This was mainly due to significant reductions in the equity growth rate in the services sector and to a smaller extent the energy and construction sectors. The main reason why equity fell short of last year's results in the services sector was a significant one-time effect in the previous year that boosted equity growth. The 2017 figures for the services sector included the effects of a consolidation in one French group that boosted the non-controlling interests.

The effect of the decreasing equity growth in services was only partly offset by higher growth in the industry sector. The German automotive industry made a particularly strong contribution through growth in retained earnings.

In 2018, the contribution from growth in share premium increased from the previous year. This was primarily due to capital increases, especially in the industrial sector. Many (mainly German and French) large manufacturing groups increased their capital by allocating new shares. In addition, a medium-sized Austrian group working in the services sector drove the result for the medium-sized group aggregate.

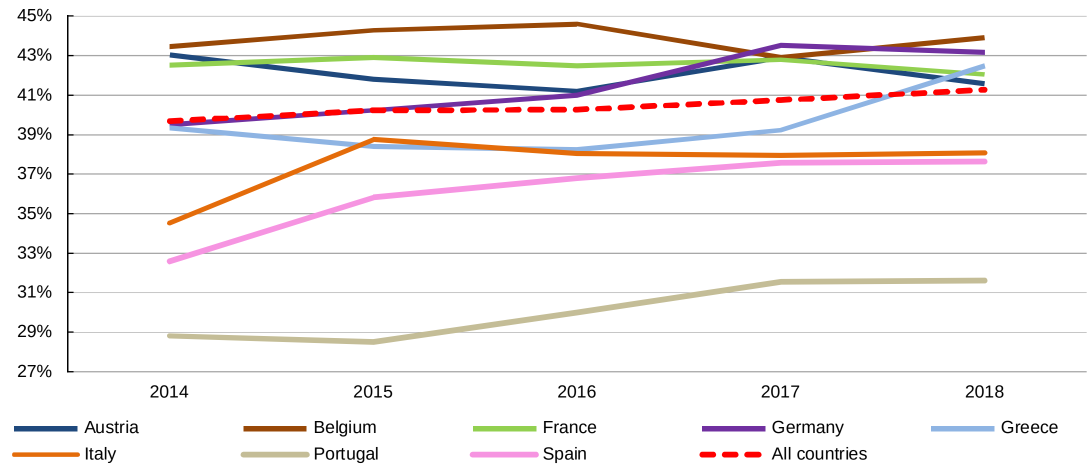
In the energy sector, most of the growth in equity was due to retained earnings by one French group, which accounted for approximately 17% of the total equity increase in that sector.

As regards the construction sector, one large French construction company which implemented a share buy-back programme throughout 2018 was the main cause of the remarkable increase in the growth contribution of treasury shares in the sector's aggregate.

**Upward trend in median equity ratio continues, mainly boosted by Greek and Belgian groups and the industrial sectors**

Based on a fixed sample, Chart 12 shows how the median equity ratio gradually climbed from 39.7% to 41.3% over the 2014-2018 period. In 2018 Greek groups posted the most remarkable rise, resulting in them surpassing the overall median. This was mainly due to a healthcare group[7] and a real estate group[8]. They affect not only the median equity ratio but also median self-financing ability. The self-financing ability ratio measures the weight of retained earnings with respect to the balance sheet total. It shows the relationship between a group's ability to generate profits and the extent to which it uses those profits to meet its financing needs. A low ratio may indicate that growth might not be sustainable as it is financed by taking on greater debt or issuing shares, rather than by reinvesting profits. Greek groups also recorded the highest rise in median self-financing ability, not only in 2018[9], but also over the entire 2014-2018 period.

**CHART 12 MEDIAN EQUITY RATIO PER COUNTRY 2014-2018**




Source: ERICA 2018 fixed sample.

Italian, Portuguese and Spanish groups saw their rise in the median equity ratio slow to a minimum, after making significant improvements in previous years. These countries show a clear divide from the others, not only in their overall median equity ratio, but also in overall median self-financing ability. Italian groups show the widest difference between the median equity ratio and median self-financing ability, whereas French groups have the narrowest gap between the two ratios, which means that other forms of equity (such as capital or non-controlling interests) are relatively more important at Italian groups.

Belgian groups largely recovered from their dip in 2017, as Belgium regained its position as the country with the highest median equity ratio. Thirty-nine out of the 69 Belgian groups recorded a positive development in their equity ratio in 2018. However, Belgian groups do not show the highest rate of self-financing ability. That accolade belongs to the French groups.

[7] The equity ratio increased significantly due to the divestment of an affiliate.

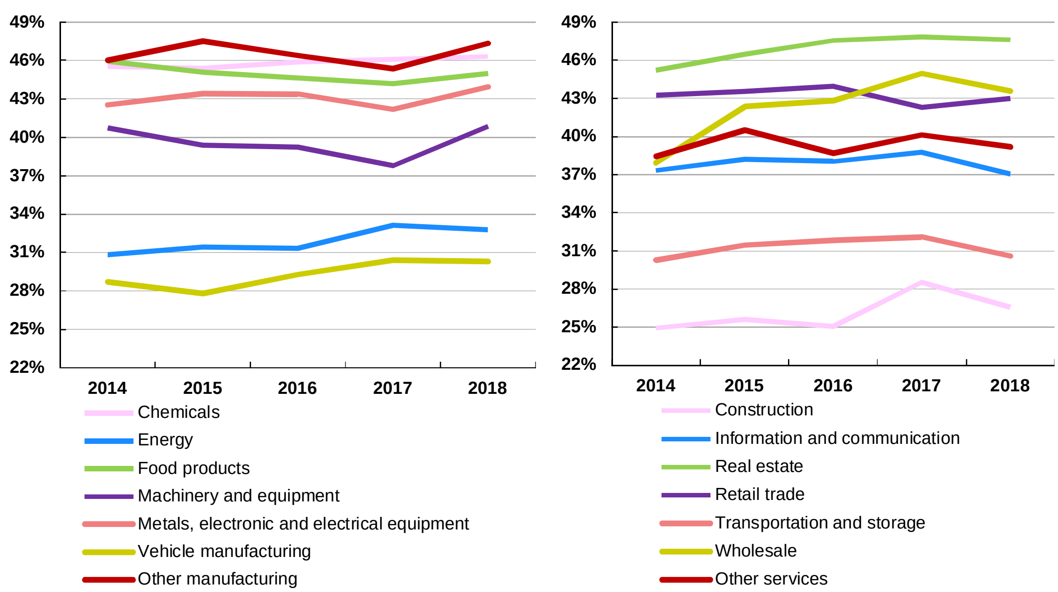
[8] A net loss in 2017 turned into a net profit in 2018, which boosted retained earnings. A significant driver for this improvement was a net gain from fair value adjustments of investment property assets. Moreover, in 2017, the net result was negatively affected by land plot sales made in the Balkan region.

[9] A chart showing median self-financing ability per country is included in Annex C.1.

Austrian, French and German groups experienced a reduction in their median equity ratio in 2018. Although their values remained above the overall median, the spread compared with the overall ratio shrank considerably.

Chart 13 presents median equity ratios calculated by branch of activity[10]. In the previous year, the non-industrial sectors drove the overall upward trend in the median equity ratio, whereas this year it was industrial sectors that boosted the trend. It is striking that the industrial sectors with the highest median figures recorded a rise in 2018, while those with the lowest median equity ratio – vehicle manufacturing and energy – reported a slight fallback, in spite of the favourable developments in the previous years. All non-industrial sectors, except retail trade, saw their equity ratio decrease again after a temporary peak in 2017. The chart in Annex C.2 indicates that the chemicals and food sectors clearly have higher median self-financing ability than all other branches of activity. In the construction sector, on the other hand, median self-financing ability dropped to a mere 5.2% in 2018.

**CHART 13 MEDIAN EQUITY RATIO PER BRANCH OF ACTIVITY 2014-2018**




Source: ERICA 2018 fixed samples.

## IV.2 MODERATE DECREASE IN FINANCIAL DEBT. HIGHER RATE OF NET INDEBTEDNESS

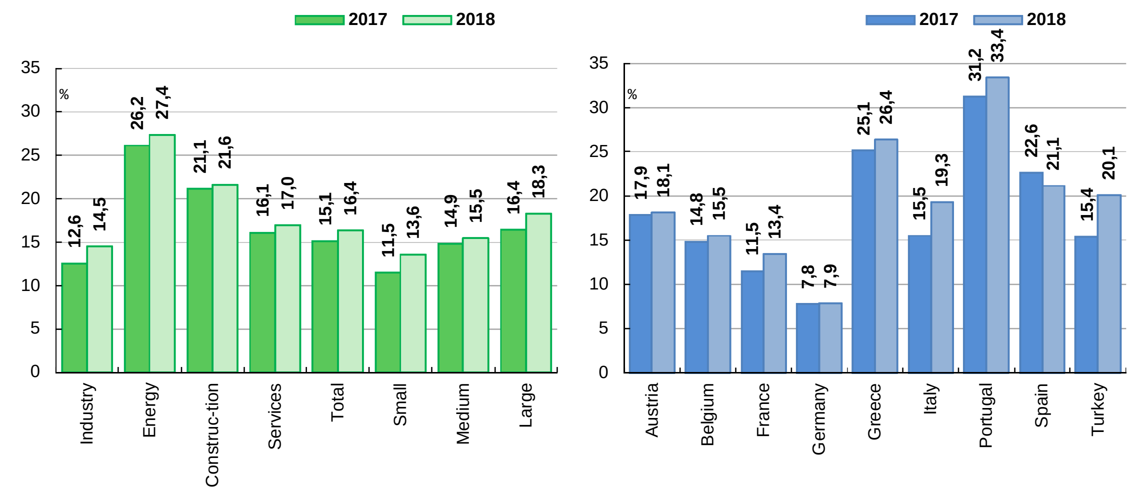
The net indebtedness ratio is calculated as the sum of the current and non-current financial liabilities reduced by cash and cash equivalents in relation to the total assets. It represents the proportion of an enterprise group's total assets that is financed through external borrowings, excluding cash and cash equivalents.

Chart 14 shows the median net indebtedness ratio for different sectors, size classes and countries of location of the groups' parent entity in the sliding sample. The net indebtedness ratio showed a slight increase from 2017 to 2018, up from 15.1% to 16.4%. On a sectoral breakdown, the net indebtedness ratio increased for all sectors, but at a varying pace. The industry sector exhibits the highest increase,

[10] A definition of the different branches of activity is provided in Annex A.

while median net indebtedness in the construction sector grew at a much slower pace, though at an already higher level. On a country breakdown, Turkey and Italy lead a broad increase in median net indebtedness, Turkey exhibiting a rise of 4.7 pp and Italy a 3.8 pp growth rate. Meanwhile, the median net indebtedness ratio remained stable for Germany and decreased for Spain.

**CHART 14 NET INDEBTEDNESS RATIO 2017-2018**




Source: ERICA 2018 sliding sample.

German groups have in general a significantly lower median indebtedness ratio than all other groups. Given the dominance in the German sample of large groups, which overall have a significantly lower equity ratio, due to the consolidation of subsidiaries operating in financial services, these findings may seem rather surprising. They can however be explained by the fact that German small and medium-sized groups maintain a significantly higher equity ratio than SMEs in all other countries. Since the graph only shows the median indebtedness level, this SME-effect outweighs the opposing effect from the dominance of large groups.

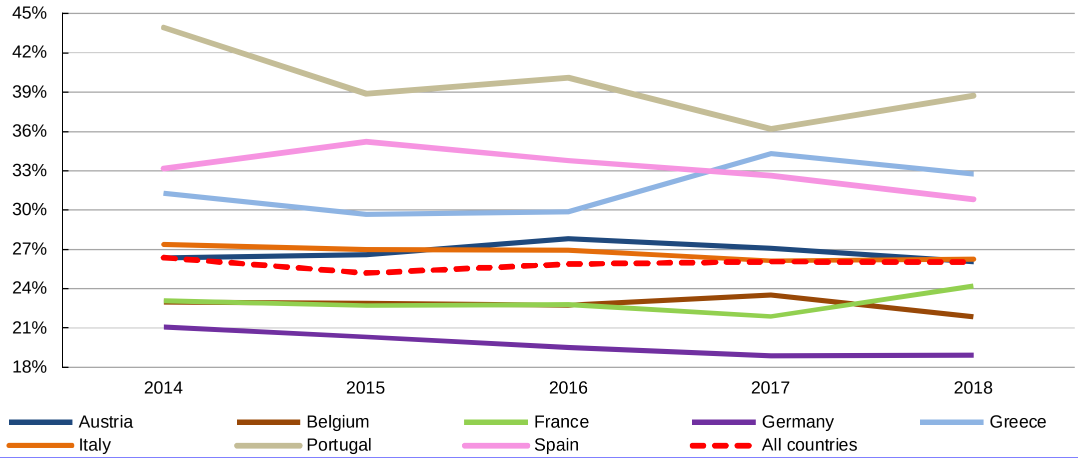
Portuguese groups have the highest median indebtedness ratio. Even though Portugal has the highest proportion of small enterprises in its sample, small Portuguese groups have on average the lowest equity ratio in the cross-country comparison.

**Median financial debt ratio remains stable over time but shows large dispersions between countries and sectors**

The financial debt ratio measures the level of current and non-current interest-bearing borrowings in comparison to total assets. This ratio reflects how much a group relies on external debt to finance its investments or operations.

Based on a fixed sample of European non-financial listed groups, the median financial debt ratio fluctuated around 26% between 2014 and 2018, if we ignore a temporary drop towards 25% in 2015. Chart 15 reveals that the position of countries in terms of the median financial indebtedness of their groups did not change significantly during the period under review. The 2018 figures again confirmed that Portuguese groups have the highest ratio and German groups the lowest. Following a general decline over the previous years, the median share of financial debt among Portuguese groups rose again. This was largely due to a porcelain manufacturer[11]. Portuguese groups' median net financial indebtedness ratio shows a similar pattern[12]. Taking into account the level of cash and cash equivalents does not change the fact that Portuguese groups are the most indebted in median terms.

**CHART 15 FINANCIAL DEBT RATIO PER COUNTRY 2014-2018**




Source: ERICA 2018 fixed sample.

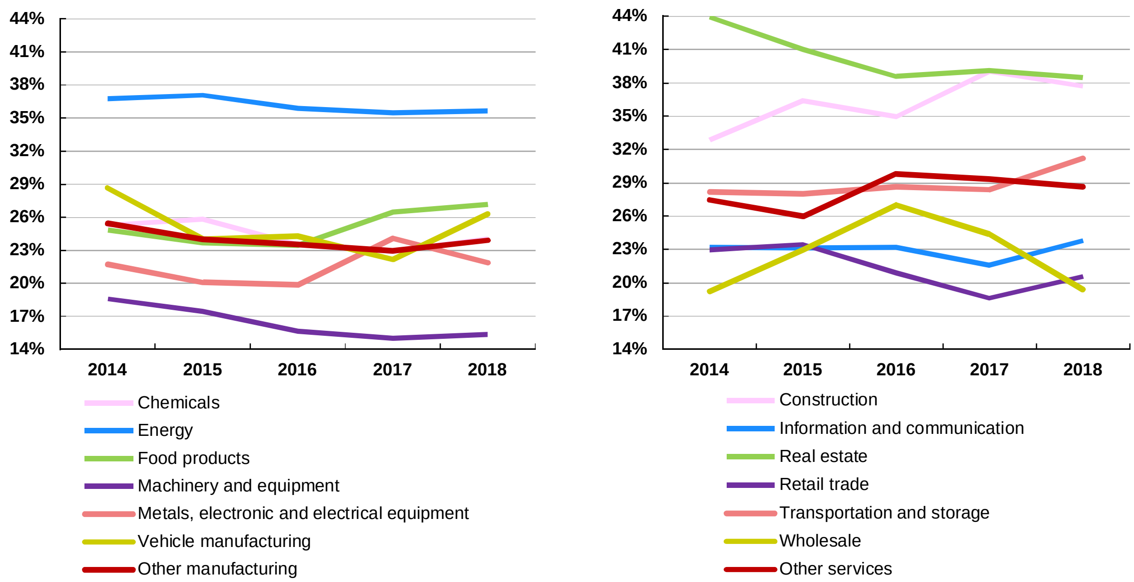
Although at a lower level, French groups also showed an upward movement in 2018. More than half of the French groups saw their level of financial indebtedness rise. The most pronounced increase occurred at an IT group[13]. On an overall view, the higher median figures for Portuguese and French groups balanced out the lower figures posted by Spanish, Belgian, Greek and Austrian groups.

Chart 16 points up that both the median share of financial debt and the way the ratio developed over the 2014-2018 period differ significantly from sector to sector. During the entire period, the median ratio remains the highest in the real estate (despite a significant reduction over time), construction and energy sectors, and the lowest in the machinery and equipment industry. The same conclusion is reached when net financial debt is considered[14].

For both these debt ratios, the most remarkable pattern can be observed in the wholesale sector, where the peak in the median financial debt ratio is explained by developments at two Italian groups, while the sharp decline of the median in 2018 is mainly due to the figures posted by a French group[15].

[11] Its acquisition of another group was financed by means of an interest-bearing shareholder loan.
[12] A chart showing median net financial indebtedness per country is provided in Annex C.3.
[13] This group issued bonds in 2018 to finance external expansion.
[14] A chart showing median net financial indebtedness per branch of activity is provided in Annex C.4.
[15] This group has been continuously reducing its financial debt between 2014 and 2018.

CHART 16 FINANCIAL DEBT RATIO PER BRANCH OF ACTIVITY 2014-2018




Source: ERICA 2018 fixed samples.

# V. FINANCIAL DEBT: FINANCIAL INSTITUTIONS THE MOST COMMON SOURCE OF FINANCING, BUT FINANCIAL MARKETS MORE SIGNIFICANT IN TERMS OF TOTAL AMOUNTS

In 2018, there are almost 1,000 non-financial European listed groups available in the ERICA database. Nearly all of them (98%) carried financial debt among their liabilities. This chapter provides an analysis of financial debt by breaking it down into its components: (1) financial institutions, (2) bond issues, (3) finance leases and (4) other interest-bearing borrowings and the cost of debt.

**TABLE 4 ERICA: OVERVIEW OF FINANCIAL DEBT AGGREGATED VARIABLES IN 2018**

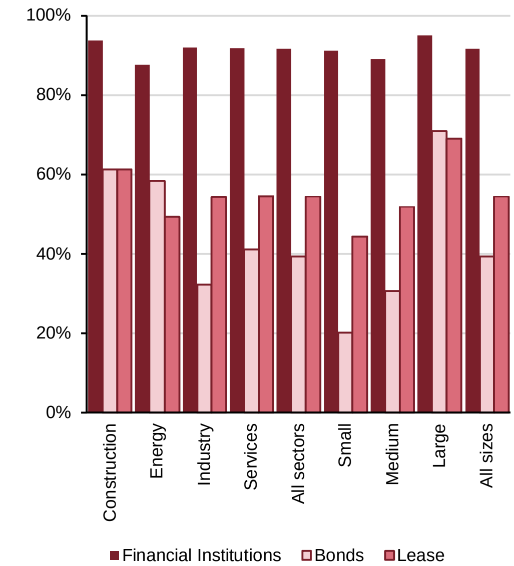
| In € billion | Number | Of which having financial debt | Financial debt | Financial institutions | Bonds issued | Finance leases | Other interest-bearing borrowings | Interest expense |
|---|---|---|---|---|---|---|---|---|
| **By country** | | | | | | | | |
| Austria | 41 | 41 | 32.89 | 14.94 | 14.26 | 0.53 | 3.17 | 1.37 |
| Belgium | 73 | 70 | 136.26 | 15.31 | 113.99 | 1.32 | 5.64 | 6.25 |
| France | 269 | 268 | 690.93 | 154.92 | 422.76 | 20.17 | 93.08 | 17.78 |
| Germany | 180 | 172 | 840.81 | 176.83 | 500.99 | 27.10 | 135.89 | 22.30 |
| Greece | 50 | 46 | 20.28 | 11.17 | 8.38 | 0.22 | 0.51 | 1.11 |
| Italy | 181 | 180 | 313.10 | 129.64 | 141.43 | 2.64 | 39.39 | 12.98 |
| Portugal | 33 | 32 | 35.32 | 9.69 | 23.10 | 0.50 | 2.03 | 1.55 |
| Spain | 110 | 110 | 255.63 | 97.59 | 118.28 | 10.32 | 29.44 | 12.63 |
| **Total** | **937** | **919** | **2,325.22** | **610.10** | **1,343.19** | **62.80** | **309.14** | **75.96** |
| **By sector** | | | | | | | | |
| 1. Industry | 408 | 400 | 1,047.35 | 215.26 | 639.93 | 8.45 | 183.71 | 25.48 |
| 2. Energy | 59 | 57 | 457.80 | 103.69 | 300.48 | 7.72 | 45.91 | 20.17 |
| 3. Construction | 47 | 46 | 98.63 | 40.80 | 49.38 | 1.56 | 6.88 | 3.51 |
| 4. Services | 420 | 413 | 716.23 | 248.96 | 349.89 | 45.06 | 72.32 | 26.51 |
| **Total** | **934** | **916** | **2,320.02** | **608.71** | **1,339.69** | **62.79** | **308.82** | **75.66** |
| **By size (revenue)** | | | | | | | | |
| 1. Small groups (<250mln) | 370 | 361 | 30.73 | 18.82 | 8.00 | 1.44 | 2.47 | 1.22 |
| 2. Medium-sized (250mln-1.5bn) | 278 | 269 | 147.31 | 86.85 | 48.38 | 2.65 | 9.43 | 6.20 |
| 3. Large groups (>1.5bn) | 286 | 286 | 2,142.66 | 503.07 | 1,283.97 | 58.70 | 296.92 | 68.26 |
| **Total** | **934** | **916** | **2,320.70** | **608.74** | **1,340.34** | **62.79** | **308.82** | **75.68** |

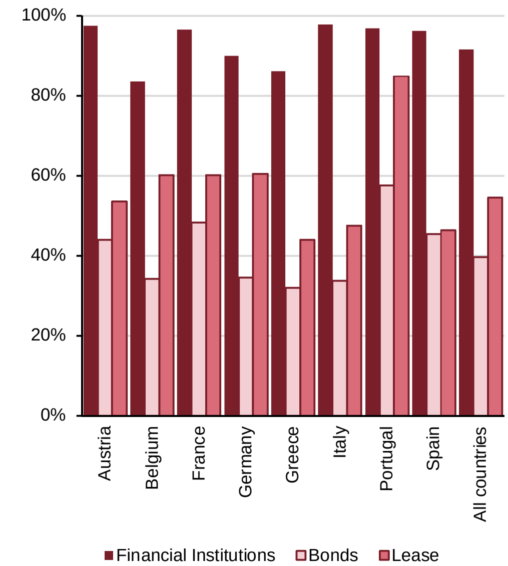
Source: ERICA 2018 static sample.
Note: The number of groups by country and by sector or by size differs: some double-counted groups belong to different countries but are in the same sector. Main figures for 2018 (filter used to avoid double-counting for sector, size and country), data in € billion.

## *V.1 FINANCIAL DEBT STRUCTURE: ALMOST ALL GROUPS HAVE BANK LOANS BUT FINANCIAL MARKETS ARE THE LARGEST SOURCE OF FUNDING*

Non-financial European listed groups maintained their financial debt structure largely unchanged in 2018. Borrowings from financial institutions continued to be the most common way of accessing external interest-bearing funds for all countries, sectors and sizes (Chart 17). The lowest percentages here were recorded by Belgian (84%), energy sector (88%) and medium-sized (89%) groups.

**CHART 17 FINANCIAL DEBT STRUCTURE IN 2018 (number of groups)**

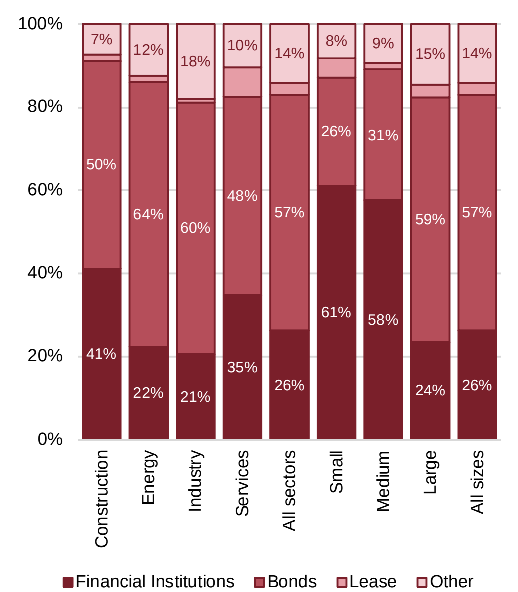


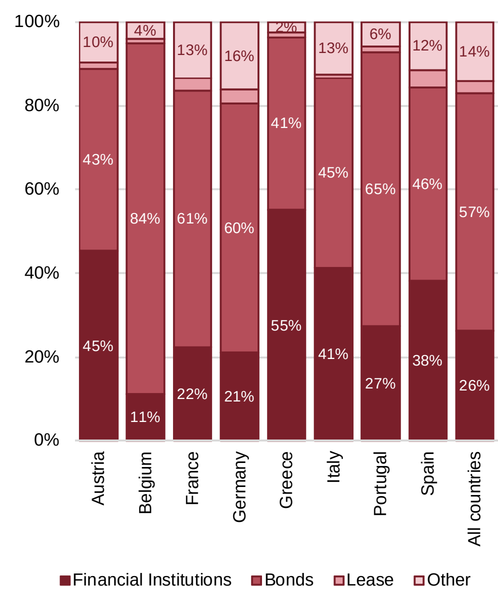




Source: ERICA 2018 static sample.

Financial markets provided funding via bonds for around 60% of Portuguese listed groups in 2018, a higher percentage than for other countries (all below 50%). The lowest percentage was recorded by Greek groups, only 30% of them choosing this source of financing. Financing through bond issues is positively correlated with the size of the groups. On a sector comparison, energy and construction groups stand out with around 60% of groups in those sectors raising funds in financial markets, a percentage twice as high as among industry groups (32%).

**CHART 18 FINANCIAL DEBT STRUCTURE IN 2018 (total amounts)**




Source: ERICA 2018 static sample.

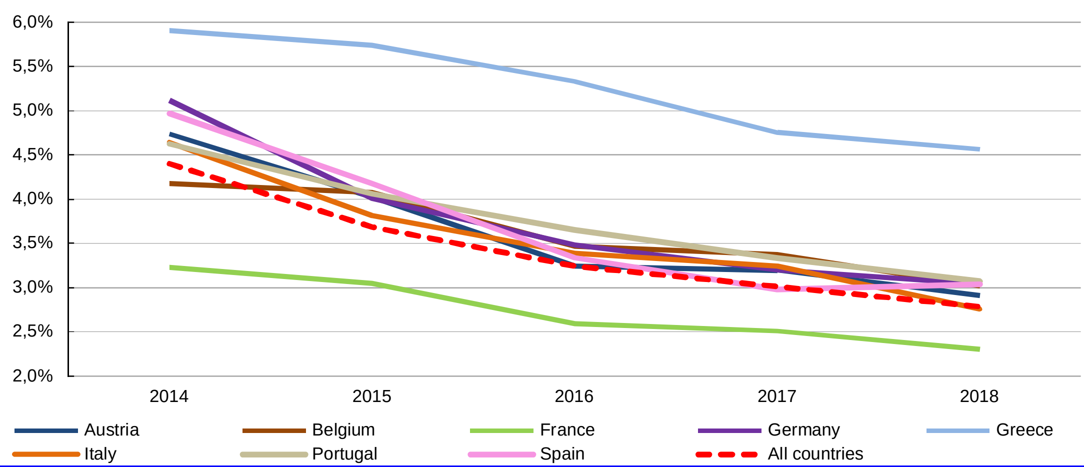
When viewed in relation to the total amounts, the picture changes (Chart 18). As in the previous year, financial markets continued to be the most preponderant source of debt financing. In 2018, their weight in terms of group funding ranged from 84% in Belgium to 41% in Greece. Only in Greece and Austria were loans from financial institutions more preponderant as a source of funding (55% and 45% respectively). By contrast, Belgian groups relied on banks for only 11% of their external funding needs. All sectors prefer to fund themselves in the financial markets. In 2018, energy was the sector most exposed (64%) to this channel, whereas services (48%) were least exposed to this source of funding. Large groups obtained the majority (roughly 60%) of their debt funding from financial markets, in contrast to medium-sized and small groups, which rely on the banking system for most of their funding.

Meanwhile, other sources of financing were quite significant for the industry sector, large groups and groups from Germany, France and Italy, all with percentages above 12% for this category of financing.

## *V.2 DECREASING TREND IN COST OF DEBT BY COUNTRY BUT TREND SLOWING IN 2018*

The median cost of debt has been falling over the 2014-2018 period (Chart 19). However, the pace of this descent has been slowing down. The sharpest decline during the period was observed at German groups (-2.1 pp). In 2018, the median cost of debt of European non-financial listed groups decreased by 0.2 pp, this decline being observed in every country and in every year, with the single exception of Spanish groups in 2018.

**CHART 19 COST OF DEBT PER COUNTRY 2014-2018**

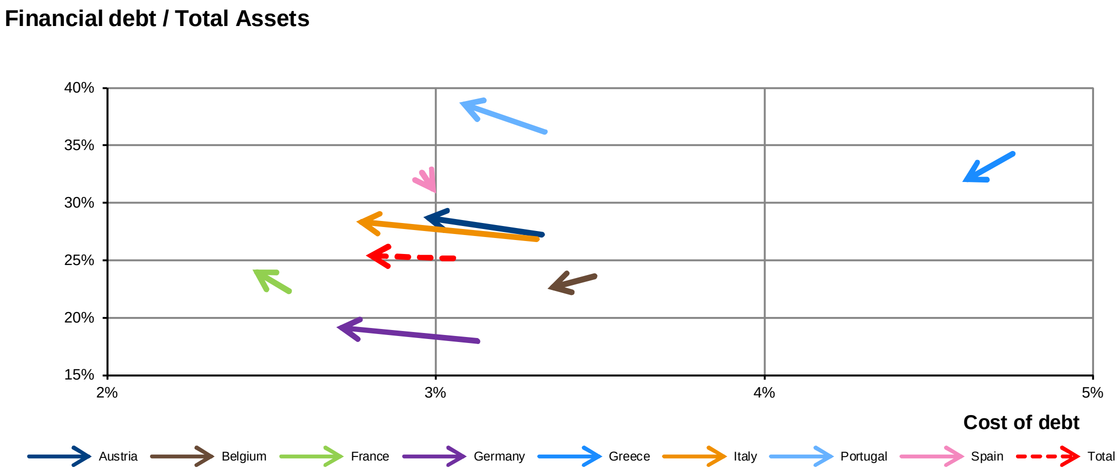



Source: ERICA 2018 fixed sample.

Comparisons by country highlight that French groups enjoyed the lowest median while Greek groups experienced the highest value for all years in the analysis. However, the spread between the medians posted by these two countries declined from 2.7 pp to 2.2 pp as the French groups saw the smallest drop in median cost of debt by country over the period. For the remaining countries, the median cost of debt was very similar both in terms of level and change in level from the previous period. In fact from 2015 onwards, the differential between the country with the second-highest median and the country with the second-lowest median was less than 0.4 pp. However, the picture is quite different when we analyse the cost of debt from the point of view of the weighted average, where significant differences in levels within countries can be observed (Annex D.1). Moreover, German groups, which rank high among countries with the highest median cost of debt, have the lowest weighted average of all over the period.

The ratio of financial debt to total assets decreased for Belgian and Greek listed groups in 2018, following the same trend as their median cost of debt (Chart 20). These were the only two countries that showed a positive correlation between these two variables. Spanish groups saw cost of debt increase while the ratio of financial debt to total assets fell. All the others exhibited the opposite trend. Some reasons can be found for different correlations between financial debt to total assets and cost of debt: interest rates at around zero worldwide tend to encourage companies to invest and seek financing, while low levels of leverage may correlate with a decrease in the cost of debt even when total financing rises.

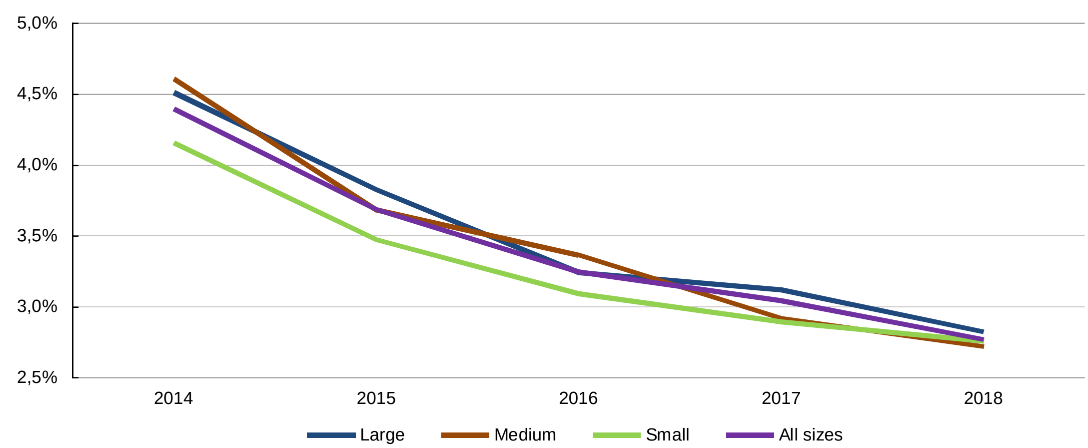
**CHART 20 COST OF DEBT AND FINANCIAL DEBT TO TOTAL ASSETS BY COUNTRY IN 2018**




Source: ERICA 2018 sliding sample.

## *V.3 DOWNWARD TREND IN COST OF DEBT BY SIZE AND A DOWNTURN IN SOME BRANCHES OF ACTIVITY IN 2018*

**CHART 21 COST OF DEBT PER GROUP SIZE 2014-2018**



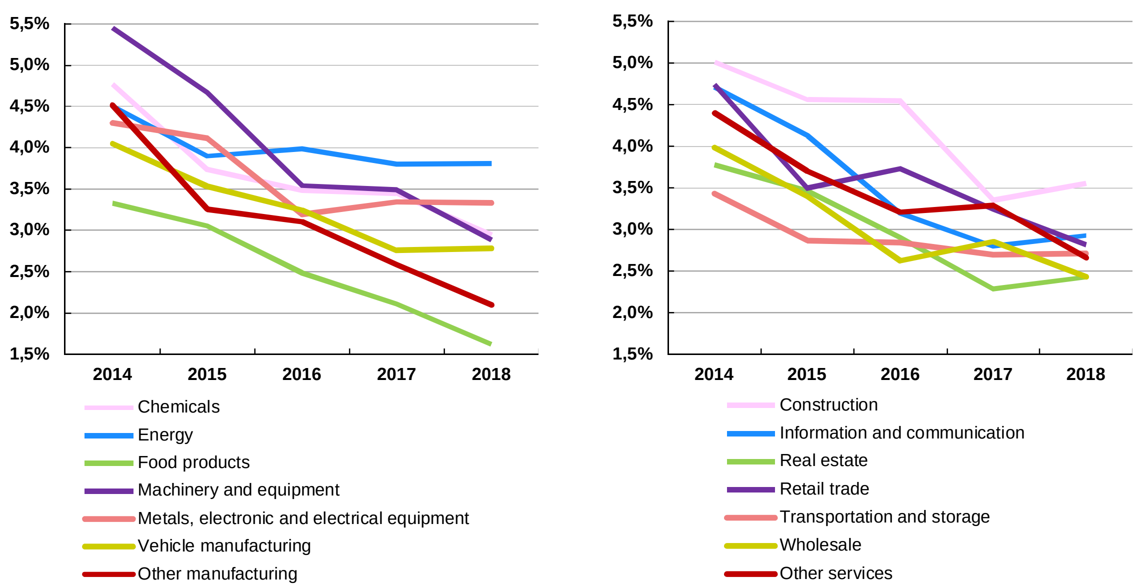

Source: ERICA 2018 fixed sample.

From 2014 to 2018, the median cost of debt of non-financial European listed groups decreased in every year of the analysis for all sizes; however, the overall pace of descent has been slowing down (Chart 21).

Median cost of debt for large groups was greater than the median for small groups in every year of the analysis. This is a significantly different picture than we obtained when we looked at the weighted average (Annex D.2) where the cost of debt of large groups was by far the smallest on a size comparison and was decreasing, year on year, diverging from the values posted by small groups. This is due to figures reported by groups with the highest amounts of interest expenses which have a lower cost of debt. Medium-sized groups experienced the highest median cost of debt in 2014, but they have achieved the largest decline since then. In 2018, the median of cost of debt is somewhat similar for all group sizes.

The median cost of debt of non-financial European listed groups by branch of activity has, with some exceptions, shown an overall decreasing trend (Chart 22). Not only has the pace of the decline in cost been slowing down in some cases but also almost half of the sectors reported an increase in median cost of debt for 2018. This rise was felt not only in sectors lying in the lower part of the rankings, such as real estate, transportation and storage or vehicle manufacturing, but also in sectors with a higher median, such as information and communication, construction and energy.

**CHART 22 COST OF DEBT PER BRANCH OF ACTIVITY 2014-2018**




Source: ERICA 2018 fixed sample.

Construction, energy (since 2016) and machinery and equipment (until 2017) have appeared in the upper part of the median cost of debt rankings during the years of the analysis. By contrast, the food products subsector has shown the lowest median cost of debt in every year except 2015, and its median has been falling along with chemicals, machinery and equipment and other manufacturing. In 2018, the median cost of debt for food products was less than half the median posted by energy groups.

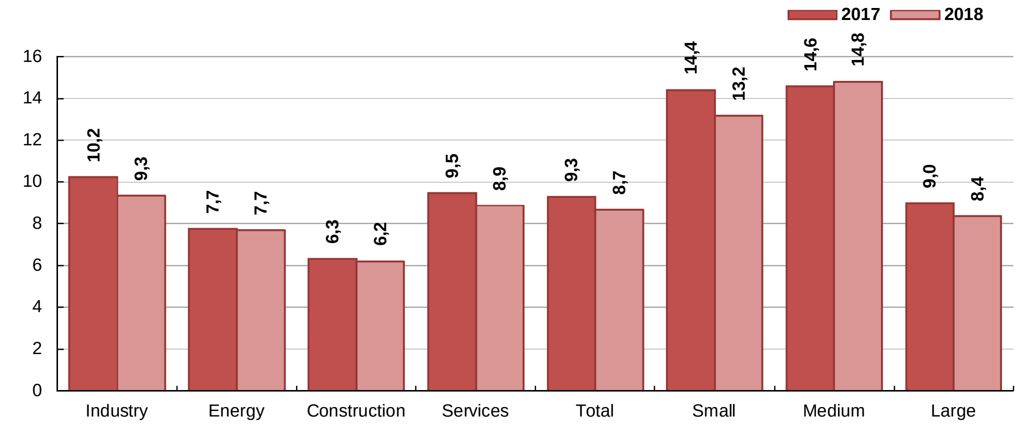
Machinery and equipment registered the biggest cumulative decline in median cost of debt by sector, while the energy sector recorded the smallest decrease, maintaining its median at more or less the same level since 2015. The biggest year-on-year drop (-1.3 pp) was registered by other manufacturing in 2015. The construction and retail trade sectors also experienced a significant drop (-1.2 pp), in 2017 and 2015 respectively, which did not however continue the following year as they saw a rise of 0.2 pp in their median.

# ANNEX A: DEFINITION OF THE BRANCHES OF ACTIVITY

| **Name of the sector** | **NACE-BEL 2008** *(2 digits)* |
| --- | --- |
| Food products | 01; 02; 10 - 12 |
| Chemicals | 20 - 23 |
| Metals, electronic and electrical equipment | 24 - 27 |
| Machinery and equipment | 28 |
| Vehicle manufacturing | 29 - 30 |
| Other manufacturing industry | 03; 07 - 09; 13 - 18; 31 - 33 |
| Energy | 05 - 06; 19; 35 - 36 |
| Construction | 41 - 43 |
| Retail trade | 45; 47 |
| Wholesale | 46 |
| Transportation and storage | 49 - 53 |
| Information and communication | 58 - 63 |
| Real estate | 68 |
| Other services | 37 - 39; 55 - 56; 69 - 96 |

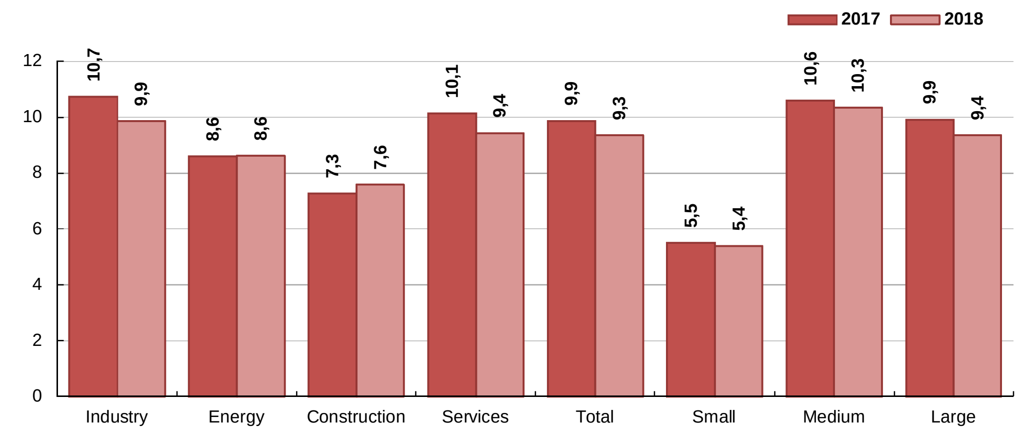
# ANNEX B: PROFITABILITY RATIOS – WEIGHTED AVERAGE BY SECTOR AND BY SIZE

## 1. WEIGHTED AVERAGE EBIT MARGIN: EBIT / REVENUE 2017-2018 (in %)



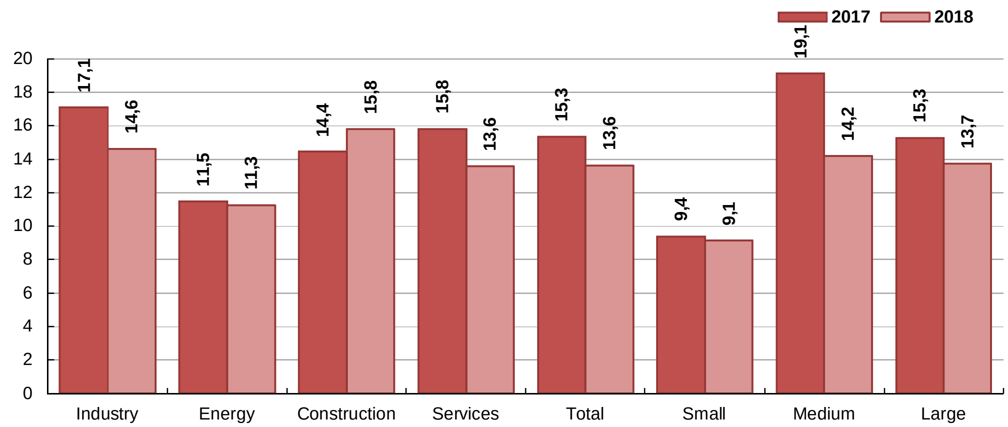

Source: ERICA 2018 sliding sample.

## 2. WEIGHTED AVERAGE EBITDA-TO-ASSETS RATIO 2017-2018 (in %)




Source: ERICA 2018 sliding sample.

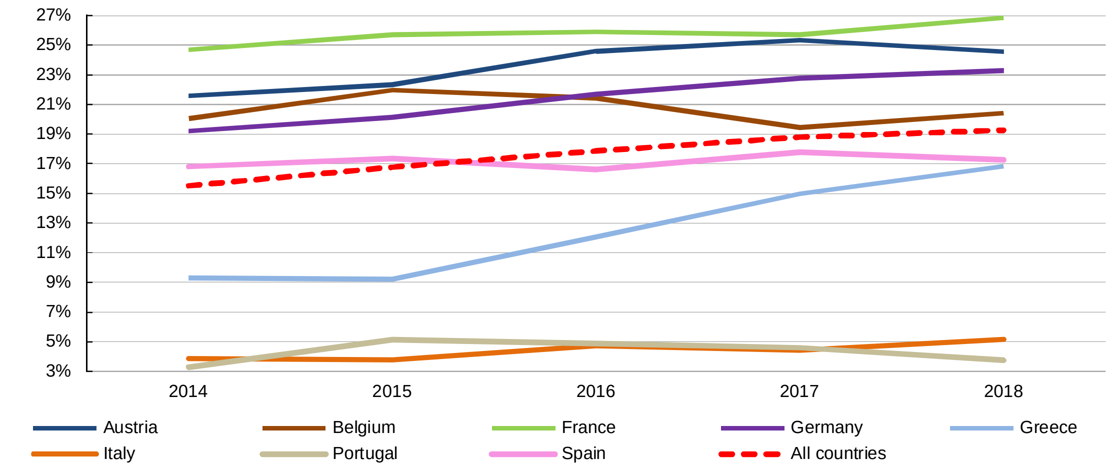
## 3. WEIGHTED AVERAGE RETURN ON EQUITY 2017-2018 (in %)




Source: ERICA 2018 sliding sample.

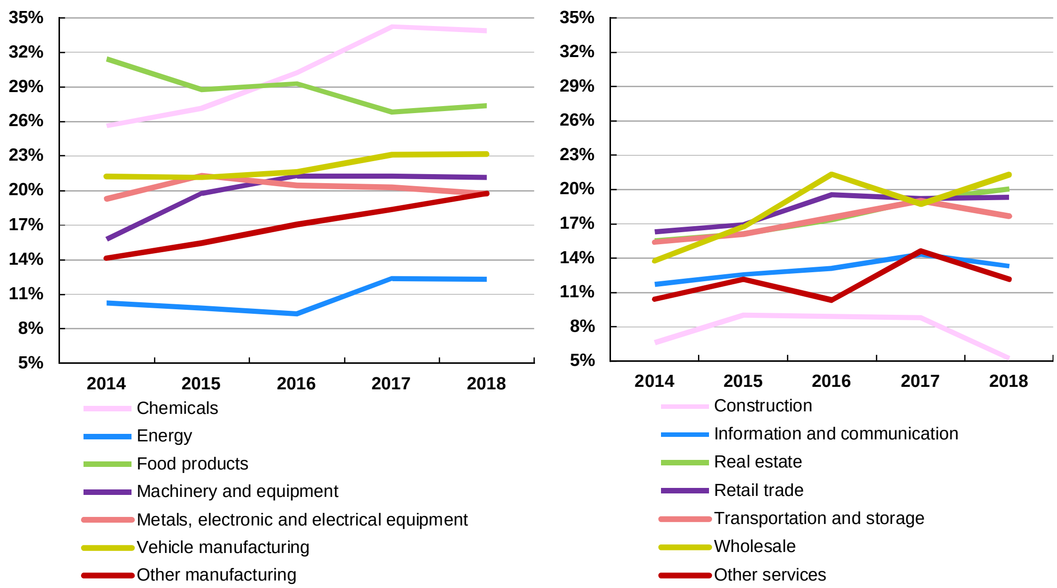
# ANNEX C: MEDIAN SELF-FINANCING ABILITY AND NET INDEBTEDNESS RATIO PER COUNTRY AND BRANCH OF ACTIVITY

## 1. MEDIAN SELF-FINANCING ABILITY PER COUNTRY 2014-2018



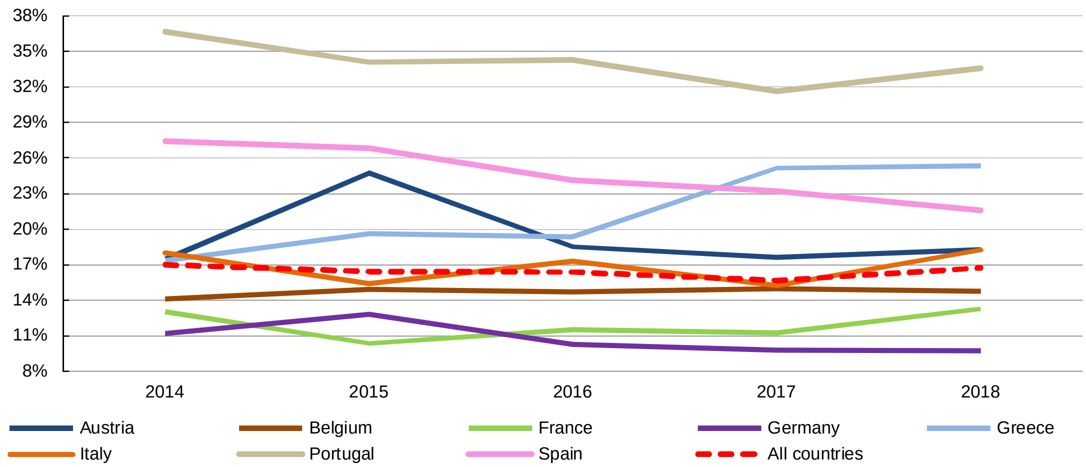

Source: ERICA 2018 fixed samples.

## 2. MEDIAN SELF-FINANCING ABILITY PER BRANCH OF ACTIVITY 2014-2018



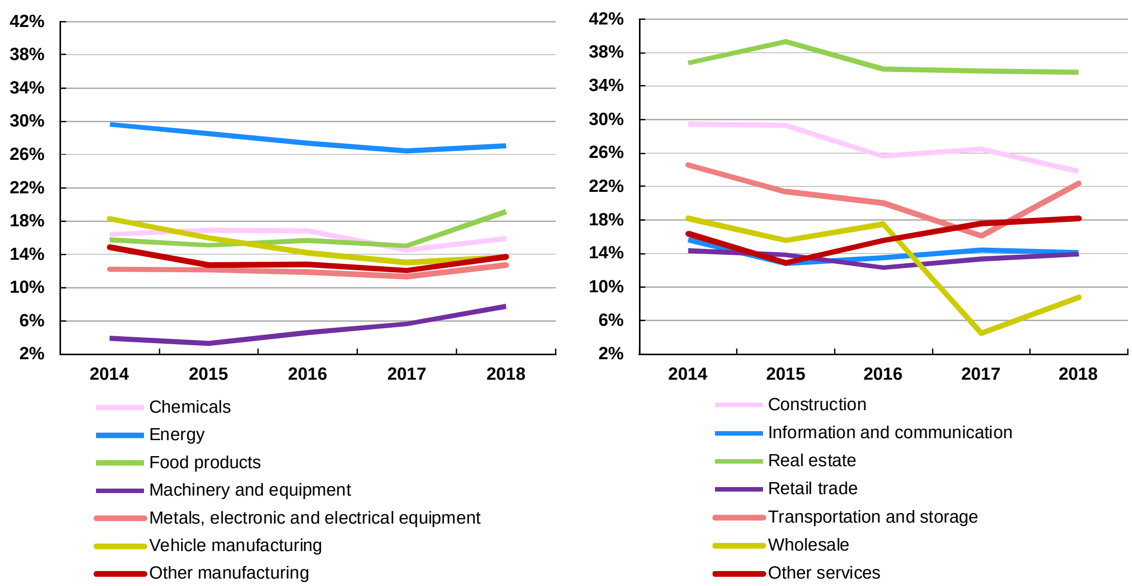

Source: ERICA 2018 fixed samples.

## 3. MEDIAN NET FINANCIAL INDEBTEDNESS PER COUNTRY 2014-2018




Source: ERICA 2018 fixed samples.

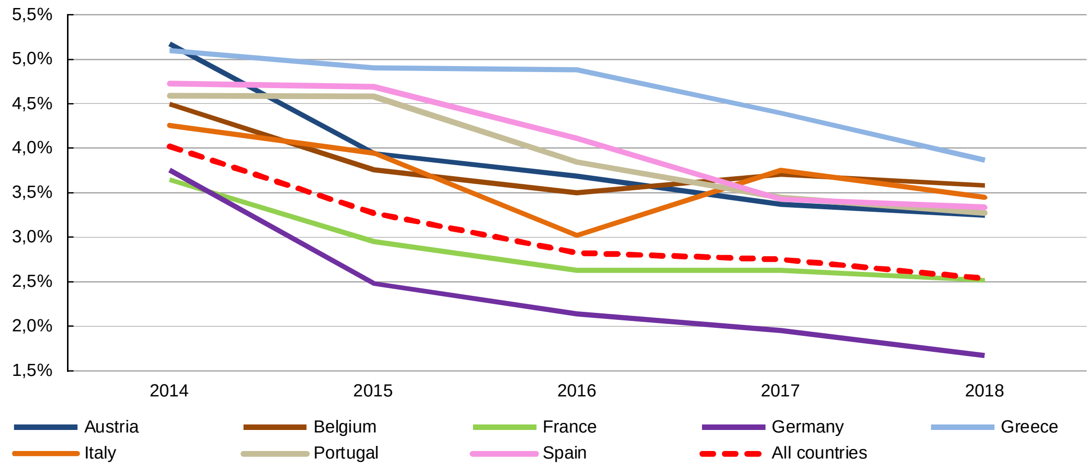
## 4. MEDIAN NET FINANCIAL INDEBTEDNESS PER BRANCH OF ACTIVITY 2014-2018




Source: ERICA 2018 fixed samples.

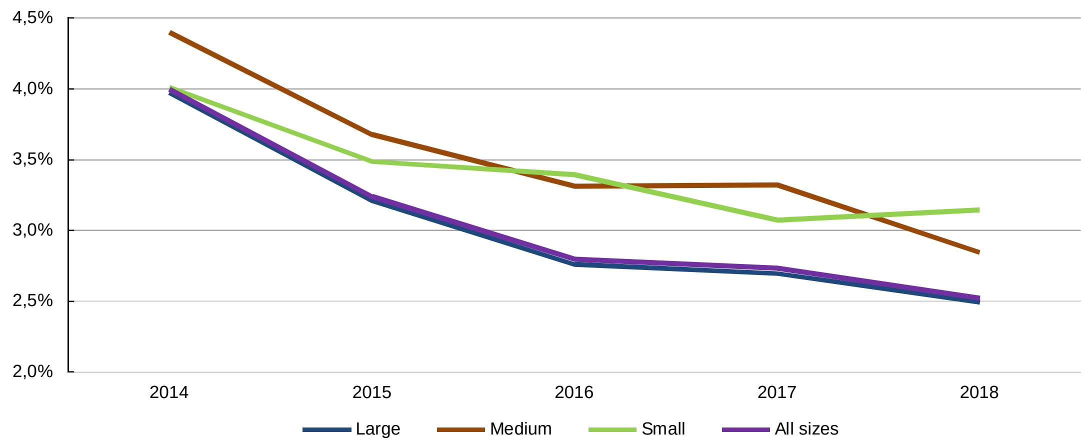
# ANNEX D: WEIGHTED AVERAGE COST OF DEBT

## 1. COST OF DEBT PER COUNTRY 2014-2018




Source: ERICA 2018 fixed samples.

## 2. COST OF DEBT PER GROUP SIZE 2014-2018




Source: ERICA 2018 fixed samples.

# ANNEX E: DEFINITION OF MAIN RATIOS

| PROFITABILITY | | |
|---|---|---|
| **NAME** | **DESCRIPTION** | **FORMULA** |
| **EBITDA** | Earnings Before Interest, Taxes Depreciation and Amortisation (proxy for operating cash flow) | (Profit (loss) from operating activities + depreciation and amortisation + impairment losses) $_t$ |
| **EBIT** | Earnings Before Interest and Taxes | Profit (loss) from operating activities $_t$ |
| **Profit/Loss** | Profit/Loss after Taxes | Profit (loss) from operating and financing activities after taxes $_t$ |
| **EBITDA/Total Assets** | Earnings Before Interest, Taxes Depreciation and Amortisation / Total assets, also known as EBITDA-ROI (proxy for operating cash flow per monetary unit of assets invested) | (Profit (loss) from operating activities + depreciation and amortisation + impairment losses) $_t$ / Total assets $_t$ |
| **EBIT margin** | Earnings Before Interest and Taxes / Revenues | Profit (loss) from operating activities $_t$ / Revenues $_t$ |
| **RoE** | Return on Equity | Earnings Before Taxes $_t$ / Equity $_t$ |
| **FINANCIAL STRUCTURE AND COST OF DEBT** | | |
| **Equity Growth** | Change in consolidated equity year on year (YoY) | Equity $_t$ / Equity $_{t-1}$-1 or (Equity$_t$-Equity$_{t-1}$) / Equity$_{t-1}$ |
| **Equity Ratio** | % of total assets financed with equity (a kind of leverage ratio) | Equity $_t$ / Total assets $_t$ |
| **Self-financing Ability** | % of total assets financed with retained earnings | Retained earnings $_t$ / Total assets $_t$ |
| **Cost of Debt** | Weighted (by external financing source) average cost of external financing debt | Total interest expense $_t$ / Financial debt $_t$ |
| **Financial Debt Ratio** | Use of credit to finance operations and investment | Non-current and current interest-bearing borrowings $_t$ / Total assets $_t$ |
| **Net Indebtedness Ratio** | % of total assets financed through external borrowings that are not covered by cash or cash equivalents | (Non-current and current interest-bearing borrowings $_t$ - Cash & cash equivalents $_t$) / Total assets $_t$ |